ANNUAL REPORT

REGISTRATION DOCUMENT

LAFARGE 2014

LAFARGE
Building better cities™

AUTORITÉ DES MARCHÉS FINANCIERS AMF

This Registration Document was filed in the French language with the *Autorité des marchés financiers (AMF)* on March 23, 2015 in accordance with article 212-13 of its General Regulations. It may be used to support a financial transaction if accompanied by an information memorandum (note d'opération) approved by the AMF. It has been prepared by the issuer and is the responsibility of the person whose signature appears herein.

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EDITORIAL BY BRUNO LAFONT

• Chairman and Chief Executive Officer •

2015 is a major year for the Group. We are approaching it with confidence and determination: we are confident in our strengths, and we are determined to succeed in our merger project with Holcim.

The Group is solid. For several years, it has been undergoing a profound transformation, combining a dynamic strategy of innovation with an ongoing program of cost reductions.

Our operating results for 2014 demonstrate the strength of this model in what was an unfavorable context for us, with Ebitda 5% higher than the previous year on a like-for-like basis. We met the targets of our innovation and cost-cutting plans a year ahead of schedule.

In 2015, in a macroeconomic context more favorable to our operations, we are aiming to generate an Ebitda of between 3 and 3.2 billion euros.

2015 will also be the year in which our merger project with Holcim is realized.

We have taken very significant steps including the clearance by competition authorities and the agreement of CRH for the sale of the divested assets. We are now very much focused on preparing for the merger of our two groups.

This operation will constitute a remarkable driver for value creation for all of our stakeholders, and most particularly for our shareholders.

In the short term, we estimate that 1.4 billion euros of synergies will be delivered. In the medium term, LafargeHolcim corresponds to a brand new growth model, characterized by exceptional profitability. In our highly capital intensive industry, the new Group will fully benefit from the size of its industrial network, which will facilitate optimizations and avoid the need for large acquisitions or heavy investments. Similarly, its capacity for implementing an innovation strategy on a very large scale will be a key advantage for generating a strong dynamic of growth at a low cost.

On the eve of carrying out this strategic operation which will maximize its value, the Group remains more committed than ever to its objective of creating value for its shareholders while playing its part in building better cities throughout the world.

12,843
revenue
in million euros

63,000
employees

61
countries

1,612
production sites

GOVERNANCE

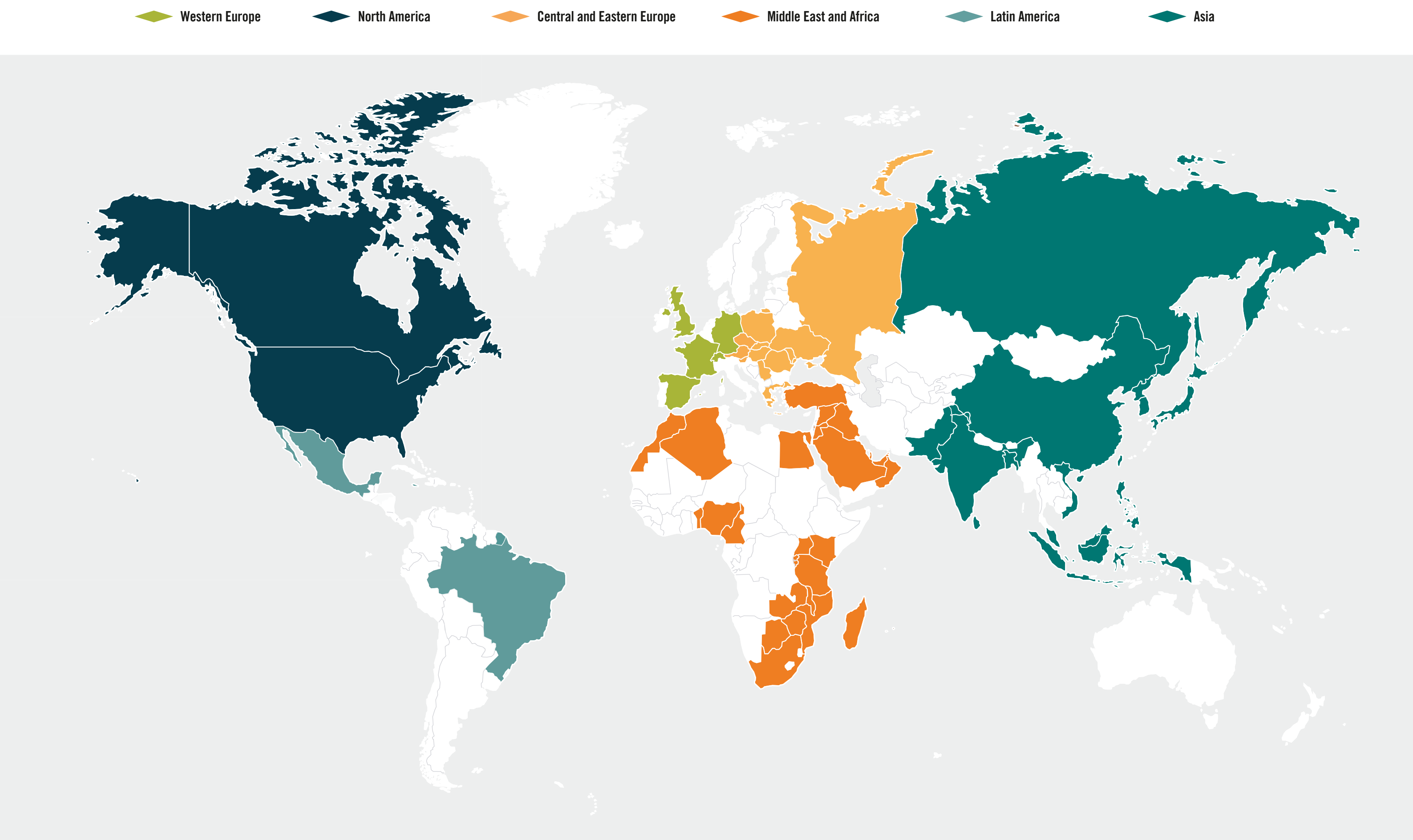
BOARD OF DIRECTORS

Back, from left to right: Luc Jeanneney, Hélène Ploix, Baudouin Prot, Paul Desmarais, Jr., Oscar Fanjul (Vice-chairman of the Board of Directors), Michel Rollier, Philippe Dauman, Juan Gallardo, Ian Gallienne, Christine Ramon, Mina Gerowin, Philippe Charrier, Jérôme Guiraud, Gérard Lamarche, Nassef Sawiris.
Front, from left to right: Véronique Weill, Bruno Lafont (Chairman and Chief Executive Officer), Ewald Simandl.

EXECUTIVE COMMITEE

Back, from left to right: Christian Herrault, Jean-Jacques Gauthier, Peter Hoddinott, Thomas Farrell, Eric Olsen.
Front, from left to right: Gérard Kuperfarb, Sonia Artinian, Bruno Lafont, Alexandra Rocca, Jean Desazars de Montgailhard, Guillaume Roux.

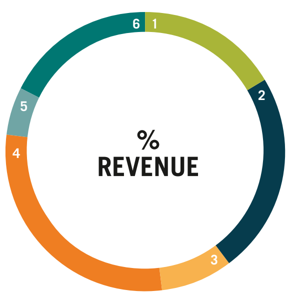
LAFARGE WORLDWIDE[1] (DECEMBER 31, 2014)



World map of Lafarge's presence as of December 31, 2014 (plants and sales offices).

(1) *Reference G4-6. See Section 4.5 (GRI content index) for more information on these references.*

KEY FIGURES BY GEOGRAPHIC AREA (DECEMBER 31, 2014)



1. Western Europe	**16.4%**
2. North America	**23.5%**
3. Central and Eastern Europe	**8.3%**
4. Middle East and Africa	**28.9%**
5. Latin America	**5.5%**
6. Asia	**17.4%**

1. Western Europe	**23.6%**
2. North America	**12.5%**
3. Central and Eastern Europe	**8.8%**
4. Middle East and Africa	**30.0%**
5. Latin America	**3.5%**
6. Asia	**21.6%**

A WORLD LEADER IN CEMENT

(December 31, 2014)

8,545
revenue[(1) (2)]
million euros

37,000
employees[(1) (3)]

55
countries[(3)]

149
production sites[(1) (3)]

AGGREGATES AND CONCRETE No.2 AND No.4 WORLDWIDE

(December 31, 2014)

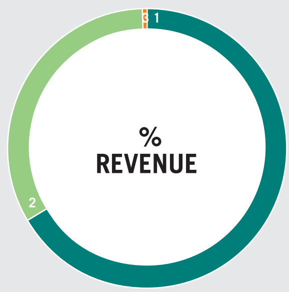
4,253
revenue[(1) (2)]
million euros

26,000
employees[(1) (3)]

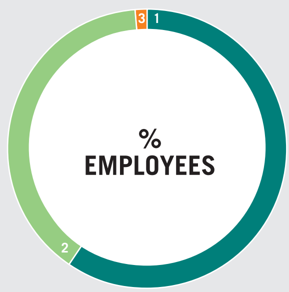
37
countries[(3)]

1,463
production sites[(1) (3)]

KEY FIGURES BY ACTIVITIES



1. Cement	66.5%
2. Aggregates and Concrete	33.1%
3. Other	0.4%



1. Cement	58.3%
2. Aggregates and Concrete	40.6%
3. Other	1.1%

(1) *G4-9. See Section 4.5 (GRI content index) for more information on these references.*
(2) *Without joint ventures.*
(3) *With joint ventures.*

LAFARGE KEY FIGURES

REVENUE (in M€)

2014	12,843	Revenue increased 3% on a like for like basis[(1)], thanks to continued growth in most emerging countries and the United States.
2013	13,091[(3)]	

EBITDA[(2)] (in M€)

2014	2,721	Ebitda increased 5% on a like for like basis[(1)], sustained by cost reduction measures and innovation.
2013	2,794[(3)]	

OPERATING INCOME BEFORE CAPITAL GAINS, IMPAIRMENTS, RESTRUCTURING AND OTHERS (in M€)

2014	1,881	Operating income grew 7% on a like for like basis[(1)].
2013	1,937[(3)]	

FREE CASH-FLOW[(2)] (in M€)

2014	592	Free cash flow was impacted by non-recurring costs linked to the LafargeHolcim merger project and the adverse impact of the evolution of foreign exchange rates on Ebitda.
2013	754[(3)]	

GROUP NET DEBT[(2)] (in M€)

2014	9,310	The Group pursued its efforts to reduce net debt, which resulted in a further decrease of 0.5 billion euros.
2013	9,846[(3)]	

GROUP NET INCOME GROUP SHARE[(5)] (in M€)

2014	143	Net Income Group share was impacted by non-recurring items including a 385 million euros non cash impairment of assets.
2013	601	

ADJUSTED [(4)] NET INCOME GROUP SHARE[(5)] (in M€)

2014	423	Adjusted net income Group Share rose 10%, driven by the Ebitda organic growth, the reduction of financial expenses and a higher contribution from the joint ventures.
2013	384	

ADJUSTED [(4)] EARNINGS, PER SHARE (in €)

2014	1.47	Adjusted net income per share increased 10%.
2013	1.34	

DIVIDEND PER SHARE (in €)

2014	1.27	Dividend of 1.27 euro per share proposed to the General meeting of shareholders on May 7, 2015.
2013	1.00	

(1) *Like for like variations are calculated excluding the impact of scope, exchange rates, carbon credit sales, the one-time gain of 20 million euros booked in 2013 on North America and the impact of the sales volumes decrease in Iraq due to the present situation (36 million euros).*

(2) *See Section 2.2 (Accounting policies and definitions).*

(3) *2013 figures have been restated following the application of IFRS 11.*

(4) *Adjusted for non-recurring items, net of tax: merger costs, gains and losses on divestments (including the gain on the divestment of our Gypsum operations in the United States, presented in the 2013 net income from discontinued operations), non-cash impairments and one-off effects on the deferred tax positions to reflect the newly applicable tax rates, notably in Algeria and Spain.*

(5) *Net income attributable to the owners of the parent of the Group.*

SELECTED FINANCIAL DATA

Following European Regulation no. 1606/2002 issued on July 19, 2002, the Group has prepared consolidated financial statements for the year ending December 31, 2014 in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union on December 31, 2014.

The tables below show selected consolidated financial data for the years ending December 31, 2014, 2013, and 2012. The selected financial information is derived from our consolidated financial statements, which were audited by Deloitte & Associés and Ernst & Young et Autres. The audited consolidated financial statements for the years ending December 31, 2014 and 2013 appear in part F at the end of this Registration Document.

KEY FIGURES FOR THE GROUP

(million euros, unless otherwise indicated)	2014	2013 (2)	2012 (1)
CONSOLIDATED STATEMENT OF INCOME			
Revenue	12,843	13,091	15,816
Ebitda(3)	2,721	2,794	3,423
Operating income before capital gains, impairment, restructuring and other	1,881	1,937	2,413
Operating income	1,460	1,933	1,920
Net income	274	753	554
Detail of net income			
Net Income from continuing operations	274	707	538
Net income from discontinued operations	-	46	16
Out of which part attribuable to:			
Owners of the parent of the Group	143	601	365
Non-controlling interests (minority interests)	131	152	189
Net income (adjusted)	423	384	N.A.
Earnings per share – attributable to the owners of the parent company:			
Basic earnings per share (euros)	0.50	2.09	1.27
Diluted earnings per share (euros)	0.49	2.08	1.27
Earnings per share of continuing operations			
Basic earnings of continuing operations per share (euros)	0.50	1.93	1.21
Diluted earnings of continuing operations per share (euros)	0.49	1.92	1.21
Average number of shares (thousands)	287,419	287,268	287,079

(1) *2012 figures have been restated following the application of IAS 19 amended and not restated following the application of IFRS 11.*
(2) *2013 figures have been restated following the application of IFRS 11.*
(3) *See Section 2.2.4 (Reconciliation of non-GAAP financial measures) for the definition of this indicator.*

(million euros)	2014	2013 [(2)]	2012 [(1)]
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
ASSETS			
Non-current assets	28,933	28,447	30,180
Current assets	5,871	6,786	9,284
Out of which assets held for sale	*-*	*-*	*2,280*
TOTAL ASSETS	**34,804**	**35,233**	**39,464**
EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent company	15,453	14,555	15,666
Non-controlling interests (minority interests)	1,836	1,730	2,082
Non-current liabilities	12,099	13,156	14,451
Current liabilities	5,416	5,792	7,265
Out of which liabilities associated with assets held for sale	*-*	*-*	*388*
TOTAL EQUITY AND LIABILITIES	**34,804**	**35,233**	**39,464**

(1) *2012 figures have been restated following the application of IAS 19 amended and not restated following the application of IFRS 11.*
(2) *2013 figures have been restated following the application of IFRS 11.*

(million euros)	2014	2013 [(2)]	2012 [(1)]
CONSOLIDATED STATEMENT OF CASH FLOWS			
Net cash provided by operating activities	948	1,106	1,298
Net operating cash generated by continuing operations	*948*	*1,105*	*1,276*
Net operating cash generated by discontinued operations	*-*	*1*	*22*
Net cash provided by/(used in) investing activities	35	103	(327)
Net cash provided by/(used in) investing activities from continuing operations	*35*	*105*	*(323)*
Net cash provided by/(used in) investing activities from discontinued operations	*-*	*(2)*	*(4)*
Net cash provided by/(used in) financing activities	(2,396)	(460)	(1,348)
Net cash provided by/(used in) financing activities from continuing operations	*(2,396)*	*(460)*	*(1,348)*
Net cash provided by/(used in) financing activities from discontinued operations	*-*	*-*	*-*
Increase (decrease) in cash and cash equivalents	(1,413)	749	(377)

(1) *2012 figures have been restated following the application of IAS 19 amended and not restated following the application of IFRS 11.*
(2) *2013 figures have been restated following the application of IFRS 11.*

(million euros, unless otherwise indicated)	2014	2013 [(2)]	2012 [(1)]
ADDITIONAL FINANCIAL INDICATORS[(3)]			
Free Cash-Flow	592	754	884
Return on capital employed (%)[(4)]	7.2	6.9	7.8
Net Debt	9,310	9,846	11,317

(1) *2012 figures have been restated following the application of IAS 19 amended and not restated following the application of IFRS 11.*
(2) *2013 figures have been restated following the application of IFRS 11.*
(3) *See Section 2.2.4 (Reconciliation of non-GAAP financial measures) for the definition of these indicators.*
(4) *Before tax.*

(euros, unless otherwise indicated)	2014	2013	2012
DIVIDENDS			
Total dividend (million euros)	368[(1)]	289	289
Basic dividend per share	1.27[(2)]	1.00	1.00
Loyalty dividend per share[(3)]	1.39[(2)]	1.10	1.10

(1) *Based on an estimation of 287,471,146 shares eligible for dividends.*
(2) *Proposed dividend by the Board of Directors held on February 23, 2015, subject to Annual General Meeting approval. As this dividend is subject to approval by shareholders at the Annual General Meeting, it has not been included as a liability in these financial statements of December 31, 2014..*
(3) *See Section 6.2.5 (Articles of Association (Statuts) - Rights, preferences and restrictions attached to shares) for an explanation of our "Loyalty dividend".*

1

GROUP PRESENTATION

Warning: in this chapter, unless stated otherwise, figures except revenue and Ebitda include the joint ventures.

1.1 LAFARGE PRESENTATION

Established in France in 1833, Lafarge has become a world leader in building materials.

1.1.1 PROFILE

Lafarge primarily produces and sells cement, aggregates and ready-mix concrete worldwide(1), mostly under the "Lafarge" brand name. Its building products and solutions are used to construct and renovate homes, buildings and infrastructures.

Based on its revenues and on internal and external analysis, Lafarge(2) is a world leader in building materials and in the cement market. It is the second largest producer of aggregates and the fourth largest producer of ready-mix concrete.

In the 2014 financial year, Lafarge generated Revenue of 12,843 million euros, with Ebitda(3) of 2,721 million euros and net income, Group share of 143 million euros, impacted by 385 million euros of non cash impairment of assets. Net income adjusted for non-recurrent items was 423 million euros, an improvement of 10% over 2013 with 384 million euros. At year-end, its assets totaled 34,804 million euros and the Group employed, including the employees of the joint ventures, approximately 63 000 people in 61 countries.

Lafarge S.A.(4) is a Limited Liability Company (Société Anonyme) incorporated in France under French law, registered on the Paris Corporate and Trade Register under number 542 105 572. The Company's corporate term is due to expire on December 31, 2066 and may be extended pursuant to its by-laws. The registered office is located at 61 rue des Belles Feuilles, 75116 Paris, France(5). The Group reporting currency is the euro (€).

Lafarge shares have been traded on the Paris Stock Exchange (NYSE Euronext Paris) since 1923. Lafarge shares have belonged to the CAC 40 since the creation of this index.

1.1.2 1833-2014: FROM CREATION TO A GLOBAL LEADER

In 1833, Joseph-Auguste Pavin de Lafarge sets up a lime operation in Le Teil (Ardèche, France), on the right bank of the Rhône river. Through sustained growth and numerous acquisitions, Lafarge becomes France's largest cement producer by the late 30's.

Lafarge's first step to international expansion takes place in 1864 with the export of lime for the construction of the Suez Canal. Its expansion then continues, first in the Mediterranean basin (particularly Algeria), then in Canada and Brazil in the 1950s. The acquisition of General Portland Inc. in 1981 allows it to become one of the largest concrete manufacturers in North America, while the purchase of the Swiss group Cementia in 1989 enables it to take up new positions, particularly in Europe and East Africa. The 1990s see the Group's first sites appear in Eastern Europe and Asia, primarily China and India.

In the meantime, Lafarge develops it Aggregates and Ready-mix concrete activity. In 1997, the acquisition of the Redland group (United Kingdom) allows Lafarge to expand in this sector.

With the purchase of the Blue Circle group (United Kingdom) in 2001, Lafarge further increases its presence on emerging markets and becomes the world's leading cement producer. In January 2008, Lafarge acquires the Cement activity of the Orascom group (Orascom Building Materials Holding S.A.E., Egypt), which makes it the market leader in the Middle East and Africa.

Lafarge decided to refocus on its core business lines of Cement and Aggregates & Concrete, which show very high growth potential, by disposing of its Roofing Business in 2007 , and of most of its Gypsum assets in 2011 and 2013.

The announcement by Lafarge and Holcim on April 7, 2014 of their proposed merger of equals marks a new historic milestone in the development of the Group: the creation of the leading group in the advanced building materials industry to better serve the growth of the markets.

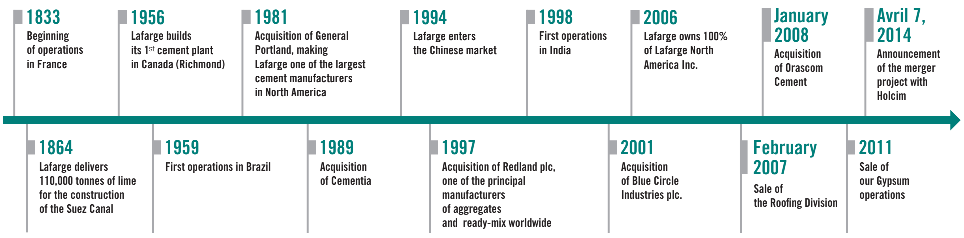
Definitions

"Lafarge S.A." refers to the Group listed parent company.

"Lafarge" refers to the whole Lafarge Group.

Footnotes beginning with "G4" are GRI references. See Section 4.5 for more information.

KEY DATES



(1) *G4-4.*

(2) *G4-3.*

(3) *See Section 2.2.4 (Reconciliation of non-GAAP financial measures) for the definition of this indicator.*

(4) *G4-7.*

(5) *G4-5.*

STATEGIC LEVERS THAT MAKE US DIFFERENT

Strategic Levers	Our strengths	The evidence
Geographical portfolio to capture growth	Strong and diversified presence in emerging countries	- 75% of revenue outside Europe; - 60% of revenue in emerging countries; - No single emerging country represents more than 6% of revenue.
Staying ahead through innovation	Innovation as key growth driver	- 230 million euros of additional Ebitda generated in 2014.
	R&D focused on market needs	- The world's largest R&D center in the building materials sector, established in 1887. - Spending of 113 million euros. - Creation of a laboratory dedicated to cement solutions intended for the oil and gas industry. - More than 100 new patent applications in 2014. - Construction development labs in Lyon, Mumbai, Chongqing, Algiers, and since 2014 Brazil.
	Innovative partnerships	In 2014, Lafarge continued its partnership with Solidia Technologies (USA) to develop a process allowing a 70% carbon footprint reduction for precast concrete.
	Innovative products and solutions	Special concrete to meet construction challenges accounted for 34% of concrete sales volume in 2014: Hydromédia™ permeable concrete, Agilia® self-compacting concrete, Artevia® decorative concrete, Thermedia® thermal concrete, Chronolia® high early strength concrete, and Ductal® ultra-high performance concrete.
	Strengthened services to support projects and distribution	Some examples: - The "placing and finishing" service proposed in 21 countries. - The Distribution Segment Model (DSM) launched in 2014, which allows better analysis of customer and end-user needs.
	Development of specification and consultancy services for architects and decision-makers	Dedicated sales force specified Lafarge products for more than 800 projects in over 30 countries.
	An organization close to our markets: - Building - Affordable housing - Infrastructures - Oil and gas	- Promotion of concrete blocks in France, with the development of a pumice light concrete block with outstanding technical performance, in association with a group of block producers, France-Blocs. - Lightweight but solid facade panels in Ductal®. - 300,000 people in 18 countries have already benefited from Lafarge's affordable housing programs. - 10,000 homes built thanks to microcredit programs. - "Earth and cement" solutions, reliable and inexpensive: new cement binder which can be mixed with sand and soil to manufacture soil-stabilized blocks without baking. - Co-design expertise for roads. - Comprehensive offering covering the entire lifecycle of an underground mine. - The world's largest network of API (American Petroleum Institute) cement plants.

Strategic Levers	Our strengths	The evidence

Continuous improvement in performance to boost our competitiveness	Cost reduction	370 million euros of cost reduction in 2014, through various levers.
		- For example, in the field of energy:
		  - non-fossil fuels constitute 21% of our cement plant consumption (without joint ventures),
		  - offers to city councils to recover treat waste,
		  - launching of the Energy project in late 2013.
		- Supply chain optimization through the creation of the operational model Move.

	Increase productivity of the plants	- 13 to 15 million additional tonnes of cement have been identified for 2012-2015. - POM 2.0 Operating model focuses on the customer and precision in project execution. - The Mining Acceleration Group, launched in 2013, aims to implement the “basics” of mining.
Men and women at the heart of the Group transformation	Health and Safety: our first priority	Health and Safety leadership training for supervisors.
	Promoting diversity and inclusion	- Rewarded with the Gender Equality European & International Standard label in November 2014. - 19.2% of senior management posts were held by women, a figure that has more than doubled in 10 years.
	Training	- By the end of 2014, the Sales Force Effectiveness program had been rolled out in every country. - More than 2,000 members of the sales force have been trained in the new methods.
A continuing commitment to sustainable development	A smaller environmental footprint	- Biodiversity management plans for 99.3% of Group sites in sensitive areas. - 70% of Lafarge’s industrial sites already equipped with wastewater recycling and/or rainwater recovery systems.
	Climate change	- By the end of 2014, CO_2 emissions have been reduced by 26.4% per tonne of cement compared to 1990. - R&D programs to develop new solutions such as Aether® or the Solidia project.
	Creating value for all communities	- Improving access to healthcare and education within communities. - 118,000 hours of voluntary services by staff in 30 countries.

1.2 STRATEGY

Over the years, Lafarge has built a balanced geographical portfolio with operations in 61 countries, a unique positioning that enables it to take advantage of the growth dynamic of emerging countries while maintaining strong positions in developed countries. The announcement of the proposed merger between Lafarge and Holcim marks another historic milestone in the development of the Group: the creation of the world's leading and most advanced Group in building materials to keep pace with market growth. 2014 was devoted to two priorities: pressing ahead with the Group's strategy focusing on innovation and cost reduction, and preparing the ground for this major project.

1.2.1 A LEADING INTERNATIONAL GROUP, LEADER IN ITS CORE BUSINESS

With a balanced geographic portfolio oriented towards emerging markets and a presence in 61 countries, Lafarge - having refocused on its core business lines and with a more efficient organizational structure since 2012 - has the strengths required for its development and to consolidate its position in the world building materials market.

a) A balanced geographical portfolio, to ensure growth

Thanks to a long-standing international expansion strategy, Lafarge has now achieved a geographic balance that offers a unique growth potential with strong positions in both developed and emerging markets and with limited risk: no single emerging country accounts for more than 6% of its sales[(1)]. Sales in emerging markets in Central and Eastern Europe, Middle East and Africa, Latin America and Asia, grew from 32% in 2005 to 60% of sales in 2014. Lafarge is, therefore, in a strong position to seize all opportunities for worldwide growth and will continue to develop its leading positions through selective organic investments.

b) A group focused on its core business

Lafarge decided to focus on its core business lines of Cement and Aggregates & Concrete, which show very high growth potential, by disposing of its Roofing Business in 2007 , and of most of its Gypsum assets in 2011 and 2013.

1.2.2 ANTICIPATE NEW OPPORTUNITIES IN THE CONSTRUCTION MARKET[(2)]

By 2025, the construction market will have almost doubled in size to reach 15 trillion dollars[(3)]. It will change not only in size but also in nature, generating new needs and new challenges. Urbanization, climate change[(4)] and protection of the environment will be the main such challenges.

Our merger project with Holcim will enable us to seize the opportunities in this vast market and to support its evolution by offering solutions adapted to the needs of end-users.

a) Understand the needs generated by growing urbanization

Growth of the urban population will continue during the coming decades, creating major challenges, particularly in terms of housing.

DEMOGRAPHIC GROWTH CONCENTRATED IN TOWNS

The planet's population exceeded 7 billion in 2011. According to United Nations forecasts, it should pass the 8 billion mark in 2025, and 9 billion around 2050. In less than 40 years, an extra 2 billion[(5)] people will need to be housed, mostly in cities. Urbanization, which rose with the demographic explosion of the twentieth century, is even more spectacular today. Since 2007, more than 50% of the world population lives in towns and cities, compared to 34% in 1960. The rate is expected to be close to 70% in 2050, i.e., around 6 billion people, as the cities absorb all the population growth[(6)].

EXPANDING CITIES

A new urban landscape growth in towns and cities will occur in all countries. The phenomenon will be less marked – but nonetheless real – in regions that are already highly urbanized (Europe, North America, South America), but it will be considerable in emerging countries, particularly in Africa and Asia – especially in India, China and Nigeria.

Two phenomena will characterize the urban landscape:

- a larger number of average size cities of between 100,000 and 500,000 inhabitants, which will contain around half of the total urban population and will offer prospects of economic development thanks to access to healthcare, education and energy;
- a growing proportion of megalopolises (metropolitan areas with more than 10 million inhabitants), which will increase in number from 28 today to around 40 in 2025, with many located in Asia, the largest being Tokyo and Delhi.

(1) *G4-DMA: market presence.*
(2) *G4-2.*
(3) *Global Construction perspectives 2025/A global forecast for the construction industry to 2025/Oxford Economics.*
(4) *G4-EC2.*
(5) *http://www.un.org/en/globalissues/humansettlements/*
(6) *http://www.who.int/gho/urban_health/situation_trends/urban_population_growth_text/en/*

THE RISE OF NEW NEEDS

Urbanization generates enormous needs and at the same time offers many challenges: better management of population density and fluidity of movement, providing access for all to decent housing, significantly improving the quality of the housing stock, building collective infrastructures for the production and distribution of energy, water, sewage systems and public transport networks as well as educational, cultural and sports facilities.

In this context, it is critical to avoid increasing waste of natural resources, pollution and greenhouse gas emissions, and to reduce energy consumption.

The construction market is naturally positioned at the heart of the challenges of urbanization, with a twofold mission: meeting the immense needs, particularly in emerging countries, and proposing sustainable solutions that will reduce our footprint and conserve natural resources.

b) Analysis of the requirements of a dynamic construction market(1)

The construction market is divided into two segments: building (residential and non-residential) and infrastructure. The latter segment accounts for 32% of the global market, while residential building stands at 34% and non-residential building also at 34% (Oxford Economics 2014). The expertise it acquired in each of these segments allows Lafarge to continuously innovate by anticipating the needs of its customers.

RESIDENTIAL BUILDING

There has been strong development in housing demand thanks to the combination of two factors: population growth and rising per capita income. In order for housing construction to continue to grow, the price of materials has to remain affordable and distribution networks must make the materials accessible. In developed countries, energy efficiency has become a very important criterion, imposing new environmental standards. The materials proposed must, therefore, evolve and become more efficient technically and more aesthetically pleasing.

NON-RESIDENTIAL BUILDING

The strength of the commercial (or non-residential) construction sector in each country depends on growth in GDP and the financial health of businesses. Lafarge does not only help ensure that commercial buildings are more resistant and more sustainable, it also contributes to limiting urban sprawl thus preserving farmland and offering better mobility for residents within compact cities.

INFRASTRUCTURE

Investment in public and private-sector infrastructure is crucial for future economic growth, because the productivity of an economy depends to a large extent on the quality of its infrastructure networks. Even in developed countries, major potential for growth could emerge if the infrastructure were upgraded. The McKinsey Global Institute has demonstrated that in the United States GDP would sustainably gain two points of growth if infrastructure investment increased by one point of GDP.

Across the world, infrastructure spending should increase from 4 trillion dollars per year in 2012 to 9 trillion dollars in 2025. This is a total of 78 trillion dollars between 2014 and 2025. 60% of this will be recorded in Asia, and only 10% in western Europe, compared with twice as much a few years ago.

Keeping pace with markets trends to build better cities

As a world leader in building materials, Lafarge has a crucial part to play in the changes occurring in the urban landscape. It has set itself the ambition of contributing to building better cities. This ambition breaks down into five key priorities:

- **cities with more housing** by the development of innovative solutions, processes and services to build quality homes at affordable prices;
- **more compact cities** by developing different qualities of high performance concretes allowing the building of taller buildings, this limiting urban sprawl, which poses problems related to transportation, inefficient use of energy and the disappearance of farmland;
- **more durable cities** with buildings that resist to both the passage of time and natural disasters, and protect the environment;

THE LOUIS VUITTON FOUNDATION EMBELLISHED BY DUCTAL®

Inaugurated in October 2014, the Louis Vuitton Foundation, in Paris (France), is an architectural masterpiece. Dreamed up by Frank Gehry, the building required six years of engineering studies directed by 120 architects and engineers! Under the flowing glass exterior, the facade had to be brilliantly white while marrying perfectly with the structure's shape, and without neglecting its mechanical strength and durability. Lafarge supplied the only building material capable of meeting this technological challenge: Ductal®. An innovative vacuum-molding process using soft molds capable of adapting to all the different curves made it possible to manufacture 19,000 panels to cover the 9,000 square meter facade. Following the MuCEM in Marseille (France) and the Jean Bouin stadium in Paris, Lafarge once again contributed to the most innovative architectural creation, resulting in more beautiful cities.

(1) *G4-8.*

A PARTNERSHIP TO PROMOTE CONCRETE BLOCKS

In France, one of Lafarge's aims is to promote the use of concrete blocks in order to gain market share from bricks. To focus on this issue, four major block manufacturers set up a grouping called the GIE * France Blocs in 2013, with support from Lafarge.

As a partner in this project, Lafarge has developed a lightweight block (one third weight reduction) with high thermal performance, based on pumice stone, which has proved highly successful, as well as a thin joint concrete block, which is easier to apply. Lafarge is also working with France Blocs on developing a foam to fill the cavities in the blocks within the manufacturing process.

* *GIE (Economic Interest Group)*

- **more beautiful cities** by encouraging architectural creativity and audacity thanks to concrete, a material whose performance inspires many architects;
- **better connected cities** thanks to the roads, bridges and tunnels that improve traffic flow, also thanks to wind turbines and hydroelectric dams improving power supply to cities.

1.2.3 INNOVATION AND PERFORMANCE: TWO STRATEGIC LEVERS OF LAFARGE

a) Innovation, key growth driver(1)

Innovation has always been one of the pillars of Lafarge's strategy. Today, this approach is not limited to the creation of new products through cutting-edge R&D. It also incorporates a marketing policy with a focus on the end-user, including a needs analysis for each market in every country to ensure the development of innovative offers that deliver added value to customers and ensure the growth of Group businesses. Innovation is a key growth driver, with 230 million euros of additional Ebitda in 2014 and a target of 500 million euros for 2015-2016.

INNOVATION TARGETED TO OUR MARKETS

Determined to strengthen its customer focus, Lafarge is now organized towards the promotion of its products, solutions and services in its markets. Lafarge also makes its offer available through the development of licenses and franchises for the industry and by increasing the professionalism of its distribution network.

Sustainable solutions to boost the building market

In 2012, Lafarge began a process in each country of identifying markets with strong growth potential and developing specific offers corresponding to them. These can combine products, solutions for applications (walls, floors, roof terraces, etc.) and services (mobile plants, specific mix designs, training, etc.). In many cases they involve industrial and commercial partners.

Beyond innovative products, Lafarge is working on optimizing the construction cycle with the aim of increasing productivity and thereby saving construction time, reducing budgets and responding to the chronic housing shortage. This is a phenomenon is all countries, but it strikes more seriously in developing countries. Lafarge is working upstream with property developers in the collective housing sector, resulting in a tailored product and service offer that reduce construction times and costs.

In 2014, particularly in France, we are continuing to make progress with our flooring solutions, especially screeds that are quicker to apply, with no need for curing or sanding and which make it possible to lay larger floor surfaces in one piece. To maximize benefits for the end-user, Lafarge offers some of these solutions in the form of a "placing and finishing" turnkey service.

In the non-residential sector, we now offer lightweight but solid facade panels in Ductal®, which can be textured, colored and molded in specific shapes on request. In Poland, the environmental certification of our products has allowed us to win a number of contracts in the office segment.

Construction systems to assist specifiers

Launched in 2012, construction systems are innovative solutions for the production of structural components (walls, floors, facades, etc.) with stand-out characteristics in one or more areas (cost, durability, strength, insulation, aesthetics, ease of application, etc.). The catalog includes more than 50 solutions for developing appropriate offers for each market.

(1) *G4-DMA: economic performance.*

EVERYONE BENEFITS FROM MICROCREDIT IN THE PHILIPPINES

Launched in 2012 in partnership with TSPI Development Corporation, the third largest microfinance institution in the Philippines, the "Tahanan Ko" project has proved a success. In two years, the number of projects financed annually has risen from 45 to 2,600, and currently 400 houses are built every month! More than 1,200 credit agents have received training from Lafarge and some 230 retailers are involved in the project. The technical assistance given to borrowers by Lafarge staff has also resulted in a significant improvement to the quality of the buildings.

Promoting affordable housing

The need for housing construction is great in developed countries, but it is particularly severe in emerging countries, where it affects both the middle class and the most underprivileged populations[(1)]. It is essential to offer solutions for building decent, solid housing at affordable prices.

Lafarge has set an objective to provide access to affordable housing for two million people by 2020, thanks to a program built on four offers.

Facilitate individual construction through microfinance. Organized in partnership with banks, specialized finance institutions and Lafarge distribution networks, microcredit programs intended to help families with low purchasing power build, improve or extend their homes have been rolled out in several countries. They are not restricted to granting loans for the purchase of materials, but offer complete solutions, with design, products, training and services covering the entire construction chain. 10,000 homes have been built to date thanks to these programs.

Rethink distribution for slum rehabilitation. In Mumbai (India), Lafarge delivers from its network of concrete plants 15-liter bags of slow-setting concrete by motorized rickshaws around the narrow alleyways where trucks cannot pass. This offer could be extended to other cities. Lafarge is also working on a similar project in a favela in Rio de Janeiro (Brazil). One billion people worldwide live in slums.

Earth and cement: an innovation for sustainable housing. To contribute to stop deforestation which is a consequence, in many countries, of baking bricks, Lafarge has developed a new cement binder which can be mixed with soil and sand to manufacture soil-stabilized blocks without baking. This reliable and inexpensive solution is supported by a number of services, including analysis of the soil used to optimize the design mix, renting of machines, training, etc. Launched first in Malawi and then in Tanzania, this solution will be replicated in Rwanda and Cameroon in 2015. It could be extended to more countries. Some two billion people live in earth houses.

Cost optimization to encourage social housing. Needs for social housing are felt in emerging as well as in developed countries. Lafarge is working on the development of building systems that optimize the cost, speed of construction, quality and durability of these homes. In Morocco, for example, we have proposed integrated offers to specifiers for inexpensive apartment blocks – including nine ready-to-use construction solutions – which enabled us to win contracts for three projects in 2014, representing 3,000 homes. In total, 300,000 people in 18 countries have already benefited from affordable housing programs developed by Lafarge.

Value added solutions for Infrastructure projects

Infrastructure – encompassing transport, energy and mining, roads, telecommunications, water and public amenities – is a vital factor in the development of cities and countries, and constitutes an economic sector in which construction materials play a significant role meeting specific challenges with regard to technology, acceptability and longevity. In economic terms, materials account for roughly 5% of the global infrastructure construction market. In this sector, one of the fundamental keys to success consists in contributing value from the project design phase onwards. For infrastructure projects, the majority of decisions – broad strategic choices and options of techniques and materials – are taken a long way upstream. It is, therefore, at this decisive stage that it is important to be present.

From product to expertise: a complete offer for infrastructure projects[(2)]

Major infrastructure projects constitute challenges in terms of design and technical application, of meeting commitments on schedules and budgets, of guaranteeing longevity and public acceptability. In all these areas, Lafarge has major contributions to make. To do so, it has strengthened its teams with people who have specific expertise to improve knowledge of the major sub-sectors of the infrastructure market in order to propose offers tailored to each one, most particularly roads, mining, energy (particularly wind turbines and thermal power plants) and transport, whether of freight, people or data.

For mining operations, Lafarge has devised a comprehensive offer covering the entire lifecycle of an underground mine, an offer adapted according to the ores extracted and mining techniques employed: construction of galleries, progressive filling of holes and openings during quarrying and rehabilitation after the completion of quarrying.

For road building, in addition to the traditional offer of concrete road surfacing, Lafarge possesses expertise in co-design based on a large number of solutions such as soil stabilization with the use of cement and aggregates to ensure greater solidity, including for roads with an asphalt wearing course. Engineering structures require made-to-measure solutions, which are at the heart of Lafarge's customer strategy. For the Koralpe tunnel in Austria, the Lafarge Research Center devised a customized cement adapted to the chemical composition of the rocks.

(1) *G4-EC8.*

(2) *G4-EC7.*

For the renovation of the Chillon viaducts in Switzerland, ultra-high performance Ductal® concrete was chosen.

For electric power plants, Lafarge materials provide high performance in terms of strength, durability and speed of construction. Lafarge teams are also working on developing specific solutions for wind turbines.

As far as transport is concerned, Lafarge is also capable of adapting to meet the specific needs of each segment, taking full advantage of its strengths. For major projects such as the construction of the Casablanca tramway, Lafarge convinced the decision-makers as much by the quality and the innovative nature of its products (self-compacting Agilia® concrete, decorative Artevia® concrete, etc.) as by its capacity to supply large quantities of these products on a continuous basis. For harbor construction, alongside specific solutions for building quays, Lafarge offers its capabilities in terms of complex global logistics. Lafarge also proposes construction and insulation solutions for reducing the carbon footprint of data centers.

UNIQUE KNOW-HOW FOR DEEP MINES

To construct the Hecla Lucky Friday vertical mineshaft in Idaho, United States, from a depth of 1,500 meters to 2,680 meters, Lafarge developed a specific mix design and a technique consisting in pouring self-compacting concrete vertically from a depth of 1,500 meters. It is then remixed and readjusted below ground.

Oil and gas: special cements for a growing industry

Since 2012, the oil well cement market is established as a Lafarge market in its own right. The oil drilling sector represents approximately 10 million tonnes of oil well cement per year and continues to expand because of growing energy demand worldwide, calls for specific products and services and requires a dedicated commercial approach.

Excellence requirement to match very stringent standards

Both onshore and offshore wells, which can exceed 2,000 meters in depth for a diameter of only one meter, are composed of a metal casing surrounded by a special cement slurry mix known as oil well cement that fills the space between the outer face of the tubing and the rocky wall of the shaft and ensures the consolidation and insulation of the geographical layers crossed.

Given the complexity of the application and the extreme conditions of temperature and pressure to which they are exposed, oil well cements must be carefully designed to meet the most stringent requirements such as predictable set time and thickening time, high sulfate resistance, adjustable density and viscosity, fluid loss control, low free fluid, strength, a perfect seal, etc. These requirements correspond to a standard stipulated by the American Petroleum Institute (API), and the plants manufacturing this cement must be certified for compliance. Lafarge possesses the world's largest network of API certified plants, and produces more than one million tonnes of oil well cement annually.

The service companies working for the major oil companies do not expect just high quality cements; they also require flawless logistics entailing availability, reliability and optimization of costs.

To become a global major innovating partner

As a producer of oil well cement in eight countries spread over every continent, Lafarge's aim is to remain a benchmark player on the world market.

In the first place, it is counting on its capacity to innovate by creating new cements able to keep pace with rapid changes occurring in the conditions of drilling. But in addition, it benefits from an international presence that allows it to optimize the supply chain and offer integrated solutions, such as incorporating the construction of access roads to the shafts and other infrastructure, for instance.

Two major channels for promoting the Lafarge offer

Developing industrial partnerships

The industrial market includes all customers who process materials industrially: ready-mix concrete, precast concrete products, asphalt mixes and mortars. Industrial customers generally purchase bulk cement and aggregates. They sell their products to the construction and infrastructure markets. The cost of raw materials accounts for between 50% and 70% of their cost price.

PAVING THE WAY IN POLAND: CUSTOMIZED SOLUTIONS

For the S8 highway in Poland, Lafarge supplied solutions for approximately 100 kilometers of expressway, including the 36-kilometer detour of Augustów, close to the border with Lithuania, 43 kilometers of concrete road and bridges in central Poland and a 20-kilometer stretch of expressway at the heart of the project near Łódź, also in central Poland. These works were completed a month and a half ahead of schedule. For this ambitious project, customized solutions were put in place.

We want our relationship with these customers to be more than that of a mere supplier of products as we bring them the innovative services and solutions that meet their needs. In developed countries, our industrial customers have objectives similar to ours: competitiveness and differentiation. In emerging countries, where industrialization is in a growth phase, our customers are looking for a partner who can help them develop in the ready-mix or precast sector.

Lafarge has extensive industrial and commercial experience in the concrete industry (both ready-mix and precast concrete). The aim of this new offer for Lafarge is to become an indispensable industrial partner.

This offer not only consists in supplying building materials, but also allows us to transfer know-how by way of licensing or franchise contracts or to propose a turnkey solution (integrated offer) to an investor, including industrial equipment design, marketing study and operational implementation.

In a highly competitive open market, this type of contract makes it possible for customers to benefit from the full value of the Lafarge brand and its innovative products, to improve their operational and marketing approach, and to have the support of a recognized partner.

Following the United States, Romania and France, contracts have been signed this year in Germany, Poland, Algeria, Zambia and Moldova, and projects are underway in approximately 25 countries.

In order to develop construction solutions using concrete blocks, Lafarge is working closely with players in the sector, partly to develop innovative, quality products and partly to promote these solutions to specifiers.

Professionalize distribution networks to better address the residential market

The distribution market covers sales to intermediaries – wholesalers and retailers – which resell the products without modifying them.

In emerging countries, the largest part of sales is made up of bagged cement, with distribution mostly entailing a chain of intermediaries of varying length. In developed countries, retail sales account for less than 30% of the cement volumes sold on all distribution circuits. To a large extent, particularly in France, it is concentrated in networks of specialist retailers and do-it-yourself stores. However, on practically all markets there has been a growing demand for specialty products, ready-to-use products for specific utilizations and specific forms of packaging (aggregates in bags, small quantities of cement in plastic bags, masonry cements, mortars in buckets, etc.). This trend is linked to the development of self-build in the residential building sector.

Lafarge has developed a specific model to accompany the professionalization of distribution networks: launched in June 2014 the Distribution Segment Model (DSM) complements the Route to Market methodology previously established, by a detailed analysis of customers and end-users, including their habits and needs. It is then possible to create original value-added offers that meet the specific expectations of each customer segment and create differentiation from competitors. This approach has resulted in the new concepts of "corners" in partnership with retail chains as well as hubs or platforms in shops that promote our products, services and related technical offers.

FROM PRODUCT TO SERVICES: A COMPLETE OFFER[1]

The development of offers that meet market needs is based on Lafarge's products, construction solutions and services, whether traditional or innovative. They are vital to the attractiveness of these offers. Sometimes created by a particular country to respond to a specific situation, they are then added to the Group's catalog and are available for application in in other situations and other countries.

A unique special concretes range

Lafarge's range of special concretes constitutes one of the strengths of its offer. Available in 27 countries, this range represented 34% of concrete sales in terms of volume in 2014. Increasing the proportion of special concretes in the offer and rolling them out in new countries will remain an objective for the Group in 2015.

Innovative products with unique properties

Hydromedia™ pervious concrete was available in 20 countries in 2014, 10 more than in 2010. A wider range was launched in 2014, making it possible to use it in applications as varied as sports pitches, roof gardens, road infrastructure, parking lots and low-traffic roads (cycle tracks, pedestrian paths, etc.).

Agilia® self-compacting and self-leveling concrete, available in different formulations according to the application (foundations, horizontal, vertical, etc.), quick to apply and offering an outstanding finish, was used in a number of prestigious sites, including the Islamic Arts wing at the Louvre in Paris, the Olympic diving boards in London and the Absolute Towers (also known as the Marilyn Towers) in Mississauga, Toronto, Canada, etc.

Decorative Artevia® concrete is as suitable for the swimming pool surrounds and pathways of private houses as for public areas, such as the paving for the Casablanca tramway in Morocco, the Plaza del Milenio in Valladolid, Spain, and the Place de la République in Paris.

Chronolia®, as flexible to use as traditional concrete, quickly develops very high mechanical strength. This speed is particularly appreciated in constructing bridges – it was chosen for the 2,300 elements making up the deck of the Port Mann Bridge in Canada – or industrial buildings, such as in Morocco, where the product was launched in 2014.

The Thermedia® range of insulating concrete is the basis of numerous solutions for reducing energy bills, ranging from the screeds of residential tower blocks in Chongqing, China, to the facades of commercial buildings and apartment blocks. The range has been supplemented by a new offer of a Thermedia® screed with improved thermal conductivity ($\lambda = 0.06$) launched in France in 2014[2].

Placing and Finishing services: facilitate application to boost sales

Launched in 2005 in Spain, the "placing and finishing" turnkey service is currently provided in 21 countries, both developed countries such as France, and emerging countries such as Jordan and Egypt. The principle is simple: Lafarge is responsible for both supplying value-added concrete solutions and installing them, subcontracting to approved installers. Originally launched for just Artevia® and Agilia®, the offer is also available for Hydromedia™ and, since 2014, for certain masonry mortars. This has proved to be an effective way of offering an additional service, especially to small contractors.

(1) *G4-EC8.*

(2) *G4-EN7.*

1

Recycled aggregates, a sustainable solution to meet growing demand[(1)]

Concrete is not the only material for which Lafarge is developing innovative products. The Group is also focusing work on recycled aggregates, a product of the future because in the next five years, world demand for aggregates will exceed production capacities. What is more, because of urbanization, quarries are increasingly distant from point of use, thereby increasing the cost of materials.

In 2014, Lafarge took a significant step when it won a contract to supply 1.1 million tonnes of recycled aggregates to Qatar. Faced with the severe shortage of virgin aggregates, the country's Government has authorized the use of recycled aggregates in concrete and hollow blocks while in many countries the use of recycled aggregates use is limited to road sub-bases. This is a first that should set a precedent, and it gives Lafarge interesting prospects for growth in a field that it has already mastered thanks to its range of high-quality recycled aggregates, aggneo™. It is also an example of the circular economy, in which waste becomes a valued resource, in line with the Sustainability Ambitions 2020 defined by the Group.

Lafarge also markets manufactured sand, produced from crushing rocks, graded and "worn down" according to the needs of each market to ensure optimum quality. This solution is both more economical and more ecological in many countries where natural sand deposits are scarce and collection is subject to strict regulations.

RESEARCH & DEVELOPMENT, A GLOBAL-LOCAL STRATEGY TO BOOST INNOVATION

The innovation strategy is supported by the Group's Research Center. Its work is continued at local level by the construction development laboratories.

Global expertise for the development of future products for the markets

Innovation is only possible thanks to substantial efforts in Research & Development. This strategy has always been one of the strengths of Lafarge: its very first research center was created in 1887. On today's site in L'Isle d'Abeau, near Lyon, France, around 230 engineers and technicians from a variety of scientific backgrounds and a dozen or so nationalities work at the Lafarge Research Center (LCR).

See also Section 1.2.4 (Men and women: a key lever of Lafarge's transformation) page 24.

In 2014, as in 2013, the principal areas of research, decided on in consultation with the countries, focused on energy efficiency, renovation – particularly in developed countries – and affordable housing, as well as binders, recycled asphalt mix and aggregates for roads, special concretes for wind turbines, products for harbors, electric power plants, etc.

In 2014, a laboratory , the world's first, dedicated to cement solutions intended for the oil and gas industry was set up within the Group Research Center.

DUCTAL®, A SOLID AND ESTHETIC CONCRETE FOR INFRASTRUCTURES

The Chillon viaducts are some of the most spectacular structures of the Swiss motorway network, and for this reason they are listed as part of the national heritage. The two independent 12 meter-wide structures stretch over 2,200 meters and peak at 100 meters above Lake Geneva, between the Rhône plain and Vevey.

Opened to traffic in 1969, the twin viaducts carry 50,000 vehicles per day on average. Works to reinforce them have been taking place for several years. The latest phase, launched in 2014 by the Federal Roads Office, was intended to strengthen the decks structurally in order to extend the life of the viaducts. Ductal® was chosen for this operation. A specific mix design was developed to enable it to cope with a 7% gradient and to guarantee excellent traction performance. Combined with an iron grid laid on the decks (following a preliminary phase of hydro-demolition), a thin 4.5-centimeter layer of Ductal® was applied. The low thickness increases the deck's overall strength by 60% (flexion, shear force) and also ensures that the decks are watertight.

To keep supplying Ductal® at the pace required for pouring as well as to reduce storage and ensure good conditions of health and safety on the site, a mobile plant specially designed for the project by the contractor partnering Lafarge was used for production. Similarly, the process of mechanical application of Ductal® required the development of a special machine. Through synergies with its partners, the contracting authority and the contractor, Lafarge has implemented effective technical and logistical resources allowing it to propose relevant solutions that meet expectations generated by the complexity of the project.

The second phase of the project will begin in spring 2015 and should be completed during the summer.

(1) *G4-DMA: materials, G4-DMA: material stewardship.*

The Group Research Center has also developed cement bags made of rain-resistant paper, which have already been launched on the French market. These two examples show both the scale and the diversity of R&D projects, all intended to meet the needs of customers and markets.

Research also continued on reducing greenhouse gas emissions, in both manufacture and product usage, and the efficiency of production processes.

In addition, the Group Research Center is working on the creation of digital applications that will facilitate the collection of data (on product behavior, for example) that can then be bulk processed to advance knowledge, all of which will result in significant improvements and the development of new products or processes.

POWERFUL R&D TO BACK INNOVATION

Spending of 113 million euros in 2014.

233 engineers and technicians at the Lafarge Research Center in L'Isle d'Abeau (near Lyon).

More than 100 new patent applications filed in 2014.

Local labs to serve local needs

Lafarge launched the first of its Construction Development Labs in 2011. These are tasked with adapting Lafarge's solutions to the needs, restrictions, characteristics and opportunities of its local markets, in close partnership with customers and specifiers (architects, industrial operators, distributors, consulting engineers, etc.).

In 2014, the four existing laboratories – in L'Isle d'Abeau (France), Mumbai (India), Chongqing (China) and Algiers (Algeria) – expanded their portfolios, and a new lab was opened in Rio de Janeiro, (Brazil), which focuses particularly on solutions for affordable housing.

National and international partnerships to fertilize expertise

As an internationally-renowned benchmark, Lafarge's Research Center takes part in scientific networks and forms partnerships with the most important research institutions, top-ranking higher education establishments and universities worldwide.

Eleven projects designed with industrial partners have also been submitted in the context of European programs. Six of these have already been accepted, the others still being under consideration: this is an outstanding rate that proves the soundness and relevance of our approach. In France, Lafarge is a stakeholder in the Recybéton R&D project, which involves players from the entire stream to promote recycling of concrete rubble.

INTELLECTUAL PROPERTY, A PART OF THE GROUP'S VALUE

Lafarge possesses a substantial portfolio of Intellectual Property rights, including patents, trademarks, domain names and registered designs, which are used as a strategic tool in the protection of its business activities.

Lafarge aims to enhance the value of Intellectual Property by coordinating, centralizing and establishing its rights chiefly through patents, brands, domain names and copyright and by using legal action in the event of infringement of rights by a third party.

The Group's Intellectual Property department is responsible for protecting the Group's patents, trade names and portfolios of brands and domain names in all its markets and countries of interest, as well as taking all necessary legal recourse against unauthorized use by a third party of an Intellectual Property right owned by Lafarge. In 2014, such new brands at OneCem™ and InfiniCem™, among others, were protected in Lafarge's principal markets.

The portfolio of Ductal® brands, along with the domain names Ductal.com and Ductal.fr were originally jointly owned with Bouygues. They are now fully owned by Lafarge.

The Intellectual Property department is also strongly involved in issues relating to new information and communication technologies in protecting Lafarge domain names and user names and securing Lafarge's presence on the internet and in new digital media, including social networking, smartphone applications, etc.

The use of, and access to, Lafarge's Intellectual Property rights (know-how, brands, patents, software and best practices) are governed by the terms of license agreements granted by Lafarge S.A. to its subsidiaries as well as to third parties.

Lafarge's portfolio of patents continues to grow, with 20 new inventions patented in 2014 and more than 100 new patent applications submitted in the principal countries of interest to Lafarge. The number of patent applications is a further reflection of Lafarge's commitment to

A PARTNERSHIP TO REDUCE THE CARBON FOOTPRINT OF CONCRETE

The Lafarge Research Center forms partnerships with companies offering breakthrough solutions, such as Solidia Technologies, an American start-up that has developed an innovative process that can reduce the carbon footprint of precast concrete by 70% by manufacturing low-carbon cement in a traditional rotary kiln using the same raw materials as normal cement and using CO_2 capture in the manufacture of precast concrete using this cement. The process is currently being tested by a number of customers, eliciting very positive feedback. Solidia Technologies and Lafarge are now working on preparing the market launch of the process in conjunction with Linde Industrial Gases, a suppli er of CO_2.

innovation and illustrates the dynamic state of the Group's Research & Development activities. An ever larger proportion of these applications relates to construction and sustainable development, in line with Lafarge's strategy and Sustainability Ambitions 2020.

COMMERCIAL INNOVATION, A LEVER TO ACCELERATE SALES

Selling innovations means being commercially innovative. The countries have put in place sales and marketing strategies based on new skills and on the best sales practices to adopt.

Specialists speak to specifiers

In order to be present as far upstream as possible with architects and decision-makers, Lafarge has created high-level specialized sales functions: construction specialists operating in the countries and international key account managers. Their role consists in analyzing needs and offering them tailored solutions, chiefly employing innovative products and solutions. These specialists work closely with the Construction Development Laboratories, and they have specified Lafarge products for more than 800 projects in over 30 countries.

It was construction specialists, for instance, who devised the solution of using Chronolia® in repair work to the foundations of a building on the aerospace exploration site in Madrid (Spain), of a system of pre-stressed concrete panels for a library in Louisville, Kentucky, (United States) the choice of pervious Hydromedia™ concrete for the plaza of the Yuelai international exhibition center in Chongqing (China), and Agilia® and Artevia® for the plaza of Bucharest University, in Romania.

Training teams in best selling practices

See also Section 1.2.4 (Men and women: a key lever of Lafarge's transformation) page 24.

Strengthening the commercial fonction has been one of the main actions in terms of training.

b) Becoming increasingly competitive through performance

Along with innovation, performance is the Group's other key growth driver. In order to constantly improve its competitiveness, Lafarge is acting to increase the value of its products and services, reduce its costs, optimize its supply chain and increase the productivity of its plants.

HOW TO CUT COSTS

In 2014, Lafarge reduced its costs by 370 million euros, added to the 1.9 billion euros of savings already generated between 2006 and 2013. The objective for the period 2015-2016 is 600 million euros.

Reducing the cost of energy

Energy accounts for one third of the cost of cement production (before distribution and administrative costs). Lowering the energy bill and protecting the Group against price increases are therefore priorities[(1)]. By improving purchasing management, reducing specific cases of energy consumption and using alternative fuels, the Group has achieved considerable progress. In Nigeria, Benin, Jordan and Uganda, for example, equipment has been modified to take ground coal or petcoke instead of other fuels with unreliable supply or too high a cost. A new legal entity for purchasing, called Lafarge Energy Solutions, has been created in order to enhance Lafarge's global presence on the coal and petcoke market and therefore optimize its performance in sourcing.

Optimizing electricity supply

The strategy for optimizing electricity purchases, which has been directed for several years by a dedicated team, depends on the type of market: use of preferential rates in countries where prices are regulated; hedging of volatility on liberalized markets; negotiations with different operators in countries with a mixed or transitional system. In every case, a detailed analysis and accurate evaluation of needs can make substantial savings possible.

In several countries, Lafarge has created its own power plants, either to ensure secure and reliable supply at low cost or to improve its energy efficiency thanks to heat recovery equipment fitted within the cement process and feeding the electricity generators. In addition, whenever possible, Lafarge can adapt its consumption or production of electricity in order to obtain additional remuneration and play its part in ensuring the security of public electricity networks.

Tracking energy waste

Energy is cheapest of all when you don't consume it! This observation inspired the Energy project, launched late in 2013. It is expected to result in significant savings in cement plants thanks to better energy management, auditing grinders and kilns to optimize settings and avoid over-consumption, improved monitoring of power consumption in each workshop, shutting down all ancillary equipment during dead time (stoppage of kilns or grinders), etc.

Secure alternative fuel supplies

Lafarge is also seeking ways to increase the proportion of alternative fuels in its plants: tires and waste industrial oils, household, industrial and agricultural waste, etc. In 2014, these fuels increased again to 21% (without joint ventures) of the cement plant consumption. The goal is to approach 50% in 2020, of which one third biomass.

Considerable progress has been made, particularly in sub-Saharan African countries (South Africa, Benin, Cameroon, Zambia, Zimbabwe, Uganda), and projects are under way in the majority of countries where Lafarge operates, including Morocco, Kenya, China, the Philippines, Algeria, Brazil, Canada, etc.

The Group introduced complete solutions for processing household waste, thanks to an innovative bio-drying technology inaugurated in Romania. It has also developed a system for roasting biomass in Benin. These solutions will increase the use of alternative fuels in cement plants.

The Saint-Pierre-La-Cour cement plant in France has installed a new mill for shredding non-toxic and non-polluting waste sourced from local businesses (plastics, paper, cardboard, textiles, bulky objects) to supplement the shredded tires that have been used as fuel for many years. As a result, it has been possible to achieve a rate of 50% of non-fossil fuels, with a subsequent target of 75% becoming feasible.

(1) *G4-DMA: energy.*

A VIRTUOUS CIRCLE FOR WASTE IN CAIRO

It is possible to secure supplies of high-quality alternative fuels, make savings and create local jobs, all without investment, as Lafarge's Sokhna cement plant in Egypt has shown. It has joined forces with the Zabbaleen, an informal network that specializes in collecting and sorting household waste in Cairo. Once the recyclable materials that they recover have been removed, they supply the Lafarge plant with combustible waste (textiles, plastic bags, etc.) that previously was not recycled. 140 people have been hired to handle Lafarge's orders, between 25 and 30 tonnes per day, for a price three times lower than that of gas. This success has attracted the attention of, the Egyptian Ministry of the Environment, which was pleased to see a reduction in the volumes of waste in dumps, the creation of local jobs and Lafarge's contribution to the development of a waste management industry in Egypt, which it has undertaken to promote. National and international NGOs are also showing an interest in duplicating the project in other regions.

To secure its supply against a backdrop of scarce resources, Lafarge is seeking to create partnerships as far upstream as possible. In particular, the Group has signed contracts with city councils to recover municipal waste, thereby reducing the amount sent to landfill, and it also supports local agriculture in the production of biomass without negative impact on food crops. This co-development strategy means that resources are shared and contributes to the well-being of neighboring communities.

Optimizing the supply chain is key for performance[1]

Supply chain management consists in planning and supervising supplies to the plant and delivery to customers. It is a fundamental aspect of performance. Transport and logistics costs are substantial. By ensuring the regularity and punctuality of deliveries, possibly along with on-site stock management for customers and other value-added services, supply chain excellence can be responsible for a decisive competitive edge in all markets.

To systematize the process of optimization, Lafarge developed a specific operating model in 2014, called Move. Shared by the Cement and Aggregates product lines, it is intended to identify potential for value creation and to introduce best practices to realize it. Move provides the countries with all the basics for the supply chain process: organizational models to follow, indicators to monitor for safety, customer service, transport costs and stock levels, and tools for scheduling demand and production and for managing transport.

The basics covered by Move include structuring our industrial and logistics networks, scheduling our production and distribution capacities as leanly as possible to meet customer demand efficiently, increasing truck rotations, avoiding empty return trips, avoiding waits during loading and breaks in supply caused by a lack of trucks, improving the management of transport providers by incorporating performance clauses into their contracts, encouraging them to choose lighter trucks with lower fuel consumption and making full use of all methods of transport (road, rail and water).

Towards sustainable quarry operations

The Group operates more than 500 quarries, from which 400 million tonnes of rock, being the basic raw material of Lafarge, are extracted every year. As such, Lafarge is also a mining group. Lafarge wants to acquire a mining industry culture to improve safety, productivity, costs, quality and environmental management. The "basics" of mining culture include the following:

- safe operation based on the rigorous implementation of a mining plan covering the entire lifecycle of the quarry;
- rational management of the removal and storage of overburden;
- expertise in drilling and blasting at the rock face to optimize fragmentation for the primary crushing plants;
- optimization of transport and handling within the quarry from rock faces to site installations to ensure continuous feeding of primary crushing plants.

The Mining Acceleration Group, launched in 2013, has set itself the objective of implementing the "basics" of mining as well as identifying and acting on concrete opportunities, thanks to the fresh look at the quarries given by teams combining specialists in aggregates, cement and sourcing.

To date, 86 lime and aggregates quarries in 28 countries have been audited, with significant opportunities having been identified.

(1) *G4-12.*

To make purchasing a competitive advantage

Lafarge has set up a global sourcing and procurement team directed by the central Energy and Strategic Sourcing (ESS) Department.

The central ESS team directly manages strategic and global categories of purchases, such as energy and other essential supplies. It also has the role of facilitating the performance of purchasing teams in the countries, who have a high level of local expertise, by setting and monitoring targets, training and sharing best practices. Alongside this team is a sourcing platform based in Beijing (the International Sourcing Development Team), responsible for supplying plants with equipment and replacement parts at the lowest possible prices and carrying out on-site quality controls throughout the production process.

The purpose of this organization is being able to take advantage of the best suppliers who are committed to safety and to sustainability and who can offer costs giving us a competitive edge, provide innovative solutions and guarantee quality and efficiency.

In the context of this ambition, work is under way on four priorities for improvement:

- ensuring that suppliers are committed to safety and to sustainability;
- developing a competitive purchasing function in each country with all the related skills;
- developing innovative solutions for sourcing energy (electricity and fuels) in terms of the fuel mix and sustainable development, taking advantage of our global market positions and benefiting from a high level of expertise in forecasting market volatility;
- developing and implementing purchasing policies and best practices throughout the organization as well as new tools that will guarantee worldwide expertise in the process.

Applied to all the Group's external expenditure, these actions are making a major contribution to the cost-reduction program.

INCREASING PRODUCTION AT CONSTANT INVESTMENT AND QUALITY

The challenge is simple: to make 13 to 15 million tonnes of additional cement production capacity available between 2012 and 2015, with minimal investment, while bringing new products to market to meet customers' needs and while maintaining, if not improving, product quality!

Pursue the cement/clinker ratio improvement

The production of clinker, the base component of cement, is the operation with the highest energy-consumption. However, it is possible to replace clinker with other components: slag (a by-product of steel production), fly ash (produced by the combustion of coal in thermal power plants) and pozzolan (volcanic rock). This method enhances facility production capacities – thereby limiting investment costs – while cutting energy bills and carbon emissions[1]. Moreover, the use of these components gives cement special properties that can be advantageous in certain contexts, such as better resistance to chemical stresses (improved durability in environments with high levels of sulfur or chlorine) and low hydration heat (reduced cracking in large structures). Progress is measured by changes in the cement/clinker ratio. At Lafarge, this has been constantly rising for the past ten years.

Optimizing the mastery of production facilities

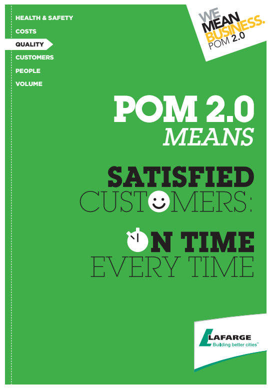
With the ambition of improving performance to better serve its markets, Lafarge continues to work on optimizing the efficiency of its production facilities and manufacturing processes in its cement plants, quarries and concrete plants. This improvement is achieved by applying operating models that have already proved their effectiveness.

Designed in 2013 by more than 50 plant managers, and initially launched in January 2014, POM 2.0 (Plant Operating Model) challenges each plant to set ambitious business objectives by mobilizing and empowering the plant management team. It includes clear objectives for each Front Line Manager and Supervisor in terms of health and safety, costs, volumes and product quality, in order to be among the best providers and better serve the clients.

By the end of 2014, nearly all cement plants were successfully operating according to the POM 2.0 model and they continue to enrich their operating practices.

POM 2.0: A COMPETITITVENESS PROGRAM THAT DELIVERS

One of the first cement plants to receive the "POM Inside" label was Villaluenga, in Spain, which was able to speed up the development of a new ultrafine cement, with a target of bringing it to market in 2014



More efficient engineering

The Group is trying to reduce the cost of building new facilities, particularly by shortening the time taken for construction and the build-up to full production capacity, through a reorganization of the governance and financial control of projects. In summary, each project is managed as a business in its own right.

To do this, the Lafarge Engineering Center (LEC) created a new, more cross-disciplinary organization, built on four key areas: innovative solutions, project management, engineering and support services. It acts as an internal service provider supporting the countries and their business objectives. Its teams deliver and implement industrial investment projects for all product lines, from the construction of new plants to operations carried out on existing sites, developing technical solutions designed to be innovative, safe, cost-effective and efficient[2].

The formation of start-up teams to support the operating teams for the time needed to achieve full capacity is another key to success. The cost is insignificant compared to the cost of loss of production over several months because of a poorly managed start-up.

(1) *G4-DMA: emissions.*

(2) *G4-DMA: overall.*

FERZIKOVO, A PROJECT COMPLETED IN RECORD TIME

Following a record construction time of only three years, the new Ferzikovo cement plant in Russia was inaugurated on May 19, 2014. For this project, teams from Lafarge Russia and the Engineering Department (LEC) had to get several thousand people from 25 countries to work together and contend with an extreme climate on a remote, sprawling site. The extraordinary task of coordinating the daily work was successfully performed by a multinational project team.

Eliminating bottlenecks

The Engineering Department has also analyzed plant operations to detect potential for increasing production with a minimum investment, through the elimination of bottlenecks. The debottlenecking plan, should help meet the target of raising capacity by 13 to 15 million tonnes. 9 million tonnes have already been secured.

1.2.4 MEN AND WOMEN: A KEY LEVER FOR LAFARGE'S TRANSFORMATION(1)

A key element in the success of our strategy, human resources have supported the Group's commercial transformation more specifically, particularly with regard to hiring and training.

Lafarge's human resources policy continues to promote diversity, professional development for everyone through training and career management, health, safety and well-being in the workplace.

a) Human resources management: a strategy for excellence

To be truly effective, the Group organization, focused on markets and customers, is backed up by hiring, training and career management policies that are in line with performance and innovation targets.

INCREASE CONSISTENCY IN HUMAN RESOURCES PROCESSES

The Workday program, launched in 2012, was fully operational this year. It is a project for global reorganization seeking to harmonize human resources processes throughout the Group; making them more coherent and effective. In particular, it includes the creation of a global catalog of job descriptions and the skill levels required for each of them in order to make it easier to identify potential career paths, without these becoming rigid. Access to the pool of talent for all Group managers and HR teams, for instance, will be an element that promotes flexibility and mobility.

IMPROVE TRANSVERSALITY BETWEEN R&D AND MARKETING

The Group's customer orientation is perhaps most clearly expressed through its Research & Development activities.

In 2013, the Research Center at L'Isle d'Abeau (LCR) was reorganized according to our market priorities. In this context, a team tasked with helping with technology transfers and launching new products and services in the countries was set up. In parallel, Construction Development Labs have been opened in a number of countries; these structures are integrated into the country's marketing structure. New profiles (such as engineers, architects, etc.) combining specialized technical knowledge and specific market experience have been recruited, both in the countries and in the Group's Research Center. Interaction between R&D and marketing has grown considerably, and it is starting to pay dividends.

PROFESSIONALIZE THE MARKETING TEAMS

Over the past two years, one of the top priorities in terms of human resources has been the strengthening of the marketing function. This has taken the form of a change in many countries from a product-based to a market-based marketing organization, which makes markets easier to interpret; the recruitment of new skills; the introduction of training programs; and the creation of stronger interfaces with other teams (sales, distribution chain, production etc).

(1) *G4-DMA: employment.*

The Marketing Academy was created in 2014. It is a 9-month training and development program which consists of an initial on-line phase, a "campus" phase featuring numerous internal and external case studies, and a final phase lasting three months, directed by multinational teams in which participants work on real cases. For the first year, involvement was restricted to the marketing managers of the countries and it will subsequently be offered to other members of the marketing teams. It will also be offered, adapted into a more compact version, to country managers.

All of these initiatives have begun to give concrete results, with a global improvement in the level of marketing plans, better identification of market opportunities and a multitude of new offers in many countries, with or without direct involvement from the central team.

FOSTER COMMERCIAL INNOVATION

Since 2011, Lafarge has been operating a commercial transformation program. It proposes a method and a set of tools that will enhance the management of its sales teams' activities. By the end of 2014, the program had been rolled out in all countries and more than 2,000 members of the sales force had been trained in the new methods. Best practices in sales effectiveness are circulated widely, particularly by way of a quarterly sales challenge which rewards the best initiatives that have successfully generated sales thanks to a new product or service.

Work is now under way on devising the next phase, which will consist in ensuring and controlling the "sustainability" of these best practices while stepping up efforts regarding the permanent improvement of skills in the sales force.

DEVELOP CUSTOMER RELATIONSHIPS

Launched late in 2013 by Lafarge University, Make It Yours is an initiative that aims to accelerate individuals' progress through skills development programs, whether technical or behavioral, for employees in contact with customers. This does not only involve sales teams, but also production teams in the Group's three product lines: Cement, Concrete and Aggregates. The aim is to learn to offer innovative solutions, sell them effectively and produce them at a competitive cost. After each participant's skills are evaluated, an individual development plan is drawn up, which specifies training programs, learning activities in the field, e-learning and coaching. A qualification is awarded to recognize the skills acquired.

INCREASE COMPETENCIES TO BOOST PERFORMANCE

Enhancing its employees' skill sets is central to Lafarge's business models. A well-managed production unit, with well-trained teams and individuals, will have a high level of reliability, which will make it more competitive. The Group, therefore, organizes a range of training programs for managers and other key operational employees. These programs, which have been running for several years, are recognized by certification and will eventually involve 1,300 employees.

b) Diversity: a booster for international development

For Lafarge, as an international group, the diversity of its employees and of its numerous stakeholders (customers, suppliers and local communities) is a key issue. The Group is in no doubt that good management of diversity and inclusivity speeds up change and is a source of performance, creativity and innovation.

The Sustainability Ambitions 2020 emphasize a desire to increase the number of women holding senior management posts with a target of 35%. By the end of 2014, the percentage had reached 19.2%, a figure that has more than doubled in ten years. Although such a level is significant in a traditionally male-dominated sector of industry, Lafarge recognizes that there are noteworthy imbalances in some businesses and in some countries. The international roll-out of the Group's gender equality policy has been endorsed by the award of the Gender Equality European and International Standard (GEEIS) label, obtained in November 2014 (see focus).

Lafarge developed an Inclusivity index in 2013, which makes it possible to assess to what extent employees feel able to succeed and to contribute value. Moreover, a Diversity and Inclusion evaluation grid has been deployed. These two tools have enabled the countries to identify areas of development and to devise a progress plan.

A RECOGNIZED DIVERSITY AND INCLUSION APPROACH

To strengthen its international approach, Lafarge has now developed a Diversity and Inclusion policy, which has been recognized by the award of the Gender Equality European & International Standard (GEEIS) label. It was granted following an audit of four entities (the head office, Brazil, Spain and Nigeria) performed by the independent certification bureau, Veritas. This award acknowledges the strengths of the policy: a global strategy, social dialog, promotion of gender mix in professions, professional equality awareness and the work/life balance. It highlighted areas where there is scope for improvement with regard to training modules dedicated to diversity and equality and greater representation of women at every level of responsibility and in each position.

c) To pursue a high quality industrial dialogue

Lafarge seeks to benefit from the involvement of employee representatives, especially in a rapidly changing economic environment. It therefore values high-quality social dialog at country, European and international level.

WELL-BEING AT WORK: A MOTIVATING FACTOR

Lafarge considers that well-being in the workplace is an essential factor in employee motivation, and in turn for the entire Group performance. A year after a joint declaration on safety, hygiene and health protection, the trade unions signed a declaration on well-being at the workplace in 2013. The Group European works council is paying close attention to action plans adopted following surveys of well-being at the workplace carried out in France, Germany and Austria between 2009 and 2013.

SOCIAL DIALOG HELD AT INTERNATIONAL LEVEL

Lafarge continues to strive to develop high-quality industrial relations. Each year, the annual meeting of the European works council is chaired by the Chairman and Chief Executive Officer of Lafarge. In addition, the representatives of the international trade unions and the European works council take part in meetings of the stakeholder panel.

Lafarge signed an international agreement in 2013 with the European Federation of Building and Wood Workers and the IndustriALL Global Union covering the Group's social responsibility and international industrial relations.

d) Health and Safety, always our first priority

Health and Safety remains the first priority of the Group[1]. 2014 saw a particular emphasis on strengthening leadership competencies, safety at customer sites, and dynamic risks assessment to capture changing conditions. The Group remains committed to achieving its 2020 Sustainability Ambitions of zero fatalities, virtually eliminating lost-time incidents and creating a healthy working environment for all stakeholders.

MANAGING HEALTH AND SAFETY RISKS

Developing leaders that are personally engaged and committed is a key element of Health and Safety performance. Supervisors play a critical role in changing behaviors in the field as they manage operational risks on a daily basis. This year, Lafarge focused on Supervisor Leadership Training across the Group.

Many countries also addressed senior leadership involvement, with an increased presence at on site meetings, participation in audits and in the development of Group guidelines.

To support and align countries with their priorities, the Group also updated its Health and Safety Management System this year. The HSMS is a comprehensive system which encompasses all aspects of Health and Safety. This system of 10 key elements also formed the basis of the audit program, which was rolled out in 2013.

The audit program was designed to allow for each country to monitor, analyze and make improvements in all areas of Health and Safety. In 2014, 60 audit missions were conducted. Auditors evaluated and stressed the importance of Core Process Risks, to identify and eliminate risks related to the production process. The aim is to have all sites audited by the end of 2015.

Despite these concerted efforts, the lost-time incident frequency rate (number of accidents/million hours worked) in 2014 was 0.49, unchanged since 2013. Consequently, fatal accidents and lost-time injuries remain a challenge.

As a result, countries reviewed their Health and Safety action plans, including how Group Standards are implemented across sites. Workshops relating to Contractor Safety Management were also offered.

The priority pillar of Health strategy focuses on occupational health risk prevention and looks at how health risks in the workplace can affect employee health and their ability to perform duties. To progress on this priority, multiple actions were launched during 2014: 84% of countries developed a system for health assessment monitoring. In addition, 41 countries completed qualitative risk assessments (noise and dust mapping) at their sites to assess the suitability of control measures, with 26 countries also performing quantitative personal exposure assessments.

BEING COMMITTED, OPEN & UNCOMPROMISING

Now in its seventh year, the Group celebrated the seventh Health and Safety Month in June. This year's theme – "My Actions, My Impact, Our Progress" – emphasized the role each person plays in improving the Health and Safety culture at Lafarge. In a continued effort to make positive behaviour changes, countries at all levels, in all functions, raised awareness of their local Health and Safety best practices by illustrating three main behaviors: Being Committed, Open and Uncompromising. A worldwide video competition encouraged participants to learn from one another in an innovative and creative manner.

A campaign was re-launched in the fourth quarter of the year to demonstrate that Health and Safety is a priority throughout the entire year.

e) Security: protection from external threats

While safety focuses on unintentional incidents (occupational accidents and diseases), security relates to incidents resulting from malevolent acts (terrorism, crime, etc.) or natural catastrophes.

Ensuring the protection of its employees and its property is a major responsibility for Lafarge. This was why the Group defined a Security policy in 2009. Its expansion has taken it to some particularly exposed parts of the world. Based on analyzing and evaluating risks and on anticipation, the policy makes use of protection plans and tried and tested procedures[2].

The commitment to Security and the rules to apply are part of Lafarge's principles of action: exemplary behavior, integrity, respect for others. In addition to the specialized managers and teams in this function, Security is a shared concern for everyone in the Group, at every level.

(1) *G4-DMA: occupational health and safety.*
(2) *G4-DMA: security practices.*

1.2.5 SUSTAINABLE DEVELOPMENT: THE AMBITION OF A LEADER

Lafarge's commitment to sustainable development is not recent. The Group is convinced that its performance and its competitiveness are inextricably linked to the social and economic living conditions of the communities in which it operates, and that there can be no sustainable economic development without preserving our living environment and our planet.

Back in 2001, Lafarge set the target of a 20% reduction in its CO_2 emissions per tonne of cement produced by 2010. It reached its goal a year ahead of schedule. In 2007, the Group's first complete program, Ambitions 2012, was set up, and all its commitments were met. Encouraged by these successes, the Group has now set itself new targets, in the context of its Sustainability Ambitions 2020. This program, the most comprehensive and the most ambitious in the sector, covers all the dimensions of sustainable development, social, economic and environmental, considered as a whole. The Ambitions constitute the Group's roadmap for making a net positive contribution to society and to nature. The aim is to minimize the environmental footprint while maximizing the value created for all stakeholders.

CLIMATE CHANGE CHALLENGES AT THE HEART OF LAFARGE'S ACTION

For some years, Lafarge has been strongly committed to fighting against climate change. In 2001, it was the first group in its sector – indeed, one of the first industrial groups – to undertake voluntarily to reduce its own CO_2 emissions. By the end of 2014, these emissions had fallen by 26.4% per tonne of cement, in line with its target of achieving a 33% reduction by 2020.

Beyond the substantial efforts that have been made in terms of industrial performance, the Group has invested in R&D programs to develop new solutions. In 2014, customer testing began for Aether® cements, which have a carbon footprint 25% to 30% lower than a conventional cement. The Group also continued its partnership with Solidia Technologies, an American start-up that has developed an innovative technique able to reduce the carbon footprint of precast concrete by up to 70%.

The building sector as a whole is responsible for more than one-third of global greenhouse gas emissions, particularly because of the high energy consumption of buildings during their lifecycle. Lafarge is therefore working on developing new solutions to improve the energy efficiency of buildings, such as its range of Thermedia® insulating concretes. Convinced of the need for a collective initiative to transform the sector, the Group is a leading player in initiatives such as the EEB (Energy Efficiency in Building) project, under the auspices of the World Business Council for Sustainable Development, which unites players in the construction sector with the target of achieving an 80% reduction in energy consumption in the sector by 2050.

In the context of the Group's commitment to this key challenge of the 21st century, Bruno Lafont, Chairman and Chief Executive Officer of Lafarge, took part in the Private Sector Forum organized as part of the UN Climate Summit on September 23, 2014. Attended by heads of state, leaders of large international companies and representatives of civil society, the event consisted of discussions on the role that the private sector can – and must – play in developing solutions to fight climate change in view of the negotiations due to take place in Paris in December 2015 on a future climate agreement.

a) Preserve natural resources

A pioneer in the field of sustainable development, Lafarge has been working for many years on reducing the environmental impact of its businesses. Issues relating to the climate and energy, in particular, are at the heart of its actions.

INNOVATING IN THE USE OF ALTERNATIVE FUELS

One of the major strands of its policy consists in replacing conventional fuels in its cement plants with industrial, domestic and agricultural waste, with a target of an average of 30% in 2015 and 50% in 2020. This contribution to the circular economy is one of the keys to responsible industrial development, consisting in reusing the waste from another activity as a source of energy or raw material in order to conserve natural resources. In 2014, alternative fuels have again gained share in the energy mix of Group cement plants. By using them, not only is Lafarge able to decrease its environmental footprint and improve its competitiveness, but it is also helping improve waste management in countries where waste processing capabilities are often inadequate, if not non-existent. Furthermore, though the introduction of new waste processing streams, it generates an activity that benefits the local economy.

In 2014, Lafarge continued to develop its biomass conversion projects, particularly in sub-Saharan Africa. In Uganda, the Group again distributed 1.5 million coffee seedlings to smallholders living close to the cement plant. Supporting local agriculture is also beneficial for Lafarge: starting with the first coffee crop in 2015, the cement plant will be able to convert the coffee husks into an alternative fuel to heat its kilns. A feasibility study has been launched in Tanzania for a first major agroforestry project based on forestry and the cultivation of sunflowers on land belonging to Lafarge. The Group could thus generate economic activity for local populations and enable the plant to increase its use of biomass. New projects for converting household waste are under consideration, in Brazil for example.

PRESERVING BIODIVERSITY

The production of cement and aggregates requires large quantities of raw materials, most of them derived from natural resources, in spite of the progress made in recycling in recent years[(1)]. These raw materials are generally extracted from quarries, the operation of which may have an impact on local biodiversity and services offered by local ecosystems[(2)]. With many years of experience in this area, the Group takes all necessary precautions to limit the effect of its operations on biodiversity, especially with regard to quarries situated in sensitive areas. Since 2013, all Group sites located close to internationally recognized protection zones[(3)] have adopted a biodiversity management plan. Similar plans have also been put in place in 99.3% of Group sites in zones considered as sensitive. The target is to extend this initiative to 100% of sensitive quarries by the end of 2015.

SAVING WATER RESOURCES

Water is a key issue in a number of countries in which Lafarge is present[(4)]. This is why the Group has been working for several years to reduce its water footprint. 70% of its industrial sites are already equipped with wastewater recycling and/or rainwater recovery systems. Since 2012, the Group has gone farther: it now evaluates the water risks of its 149 cement facilities and 437 aggregates quarries, and, alongside other stakeholders, makes a commitment to organize more sustainable water management, particularly in the ten basins where the situation has been identified as being the most critical. Among actions undertaken with stakeholders in these basins in 2014, was the launch of projects to improve access to water for communities living close to cement plants in India and Iraq.

b) Net positive contribution to humanity

An industrial group with strong local roots, Lafarge invests for the long term and therefore has a particular responsibility towards society. This starts with its employees, whose health and safety is the Group's number one priority. The impact of operations on communities living close to its production sites also requires the Group to play an active role in their socio-economic development, allowing it at the same time to ensure its own growth. On a local level, this takes the form of improving access to healthcare and education, involvement in urban redevelopment programs and nature conservation, and aid with creating businesses and jobs[(5)]. Here are a few examples:

In Zambia, the Group has worked alongside the country's Ministry of Education and the non-profit organization Room to Read to help build and equip over 60 libraries since 2008, for the benefit of more than 210,000 children.

In Serbia, the Beočin cement plant continued developing its business park in conjunction with the local council. To date four businesses have been installed and 350 jobs have been created.

In Bangladesh, Lafarge has arranged for free training in installing solar panels and in mobile telephone services, two sectors offering real career prospects in the region. Forty people have been given training so far, and all of them have gone on to find employment.

Voluntary work: a campaign to help communities

Lafarge has introduced a program for employees who are willing to contribute their expertise to neighbouring communities, in the spirit of the Group values. A very ambitious target has been set of carrying out one million hours of voluntary work each year, carried out on work time and devoted to projects chosen locally relating to biodiversity, water conservation, training, affordable housing, healthcare and job creation. In 2014, volunteers in 30 countries devoted 118,000 hours to serving their local communities, doubling from 2013.

(1) *G4-DMA: materials.*
(2) *G4-DMA: biodiversity.*
(3) *IUCN Protected Areas I to VI, Natura 2000, Ramsar and IBA.*
(4) *G4-DMA: water.*
(5) *G4-DMA: indirect economic impacts.*

1.2.6 RECENT ACQUISITIONS, PARTNERSHIPS AND DIVESTITURES

SIGNIFICANT RECENT ACQUISITIONS

In 2014 and 2013, the Group made a limited number of small to medium-sized acquisitions.

Acquisitions during the last two years had an overall positive effect on revenue of 78 million euros in 2014 compared to 2013.

SIGNIFICANT RECENT PARTNERSHIPS

See Notes 3 (Significant events of the period) and 20 (Equity) to the consolidated financial statements for more information on these partnerships.

United Kingdom. On January 7, 2013, creation of Lafarge Tarmac, a 50/50 joint venture between Lafarge and Anglo American. This joint venture combines the cement, aggregates, ready-mix concrete, asphalt and asphalt surfacing, maintenance services, and waste services businesses in the United Kingdom.

Lafarge Tarmac, excluding the Cauldon cement plant and certain associated assets, is included in the divestment perimeter related to the Lafarge-Holcim merger project detailed in Section 1.2.7.

SIGNIFICANT RECENT DIVESTITURES

See Notes 3 (Significant events of the period), 5 (Net gains (losses) on disposals) and 32 (Supplemental cash flow disclosures) to the consolidated financial statements for more information on these divestitures.

Mexico. On December 16, 2014, Lafarge disposed of its 47% minority stake in its cement operations in Mexico to its partner Elementia.

Russia. On December 1, 2014, Lafarge disposed of a cement plant located in Korkino in the Urals region to Buzzi Unicem.

Ecuador. On November 25, 2014, Lafarge disposed of its cement operations in Ecuador to Union Andina de Cementos S.A.A. (UNACEM), comprising a cement plant of 1.4 million tonnes capacity, located in Otavalo, in the North of the country.

Europe and South America. On February 12, 2014, the Group disposed its 20% minority stake in European and South American Gypsum operations to Etex.

The United States. On February 12, 2014, the Group disposed of five aggregates quarries and related assets, located in the State of Maryland, to Bluegrass Materials.

During the first quarter of 2013, Lafarge disposed of six aggregates quarries in Georgia.

On August 30, 2013, Lafarge disposed of its Gypsum operations in North America to an affiliate of Lone Star investment fund. Since September 2011, Gypsum operations (activities in Middle East and Africa excluded) were presented as discontinued operations in the Group's consolidated financial statements.

Honduras. On November 27, 2013, the Group disposed of its cement assets in Honduras to the Argos group. Sold assets comprise a cement plant with a capacity of 1 million tonnes and a grinding station with a 0.3 million tonnes capacity.

Ukraine. On September 25, 2013, Lafarge disposed of its cement assets in Ukraine to the CRH group. Lafarge remains present in Ukraine through three aggregates quarries serving the Ukrainian as well as the Russian and Polish markets.

In addition, during 2014 and 2013, Lafarge carried out several small-to-medium sized divestments.

In total, divestitures during the last two years reduced Group revenue by 290 million euros in 2014 compared to 2013.

PROJECTED DIVESTITURES IN 2015

Pakistan

On July 24, 2014, Lafarge announced the sale of its cement operations in Pakistan, comprising a cement plant located close to Islamabad in the North of the country, for an enterprise value of 329 million USD (244 million euros) to BestWay Cement.

Divestment of assets subject to the completion of the merger

Lafarge and Holcim announced on February 2, 2015 they entered exclusive negociations further to a binding commitment made by CRH regarding the sale of several assets mainly located in Europe, Canada, Brazil and the Philippines for an enterprise value of 6.5 billion euros in the context of their planned merger.

Out of these 6.5 billion euros, 4.2 billion euros relate to assets from the Lafarge perimeter. Prior to the divestment to CRH, Lafarge will buy back to Anglo American its 50% stake in Lafarge Tarmac for a total amount of 1.1 billion euros (885 million GBP).

See Section 1.2.7 (LafargeHolcim, a project for a merger of equals to create the most advanced player in the building materials sector) for more information on the divestments project related to the merger project.

PROJECTED ACQUISITION IN 2015

Acquisition subject to the completion of the merger

China

On March 3, 2015, Lafarge announced the signature of an agreement to acquire the 45% stake held by SOCAM Development Limited in Lafarge Shui On Cement, for a consideration of 2,553 million HK$ (eq. to c. 294 million euros) subject to the completion of its merger project with Holcim.

With a total cement production capacity of 32 million tonnes in South West China – in the provinces of Yunnan, Sichuan, Guizhou and Chongqing –, Lafarge Shui On Cement would thus become a whollyowned subsidiary of LafargeHolcim following completion of the merger project and this purchase. This transaction is also subject to the approval of the shareholders of SOCAM.

1.2.7 LAFARGEHOLCIM, A PROJECT FOR A MERGER OF EQUALS TO CREATE THE MOST ADVANCED PLAYER IN THE BUILDING MATERIALS SECTOR

The proposed merger between Lafarge and Holcim, announced on April 7, 2014, marks a major milestone in the history of the Group. The aim is to finalize the transaction in July 2015.

Factors such as accelerated urbanization, climate change and environmental protection have seen the construction market undergo major changes which are creating new needs with regard to products and solutions that will achieve more effective and more sustainable construction.

To support these developments and to become a driving force in the drastic changes occurring in the industry, Lafarge and Holcim are proposing to merge their businesses.

The aim is to create the most advanced Group in the building materials industry. The new group will have operations in 90 countries and will employ more than 100,000 people. Its platform for growth would be unmatched in the sector.

This merger would enable optimized capital allocation across the expanded footprint to drive improved Roce, and strong cash-flow generation and the robust balance sheet would provide financial strength. Targeted operational and financial synergies are estimated at 1.4 billion euros on a full run rate basis.

The merger would therefore be of benefit to shareholders and also to other stakeholders: customers, employees and local communities (see below).

A BENEFICIAL TRANSACTION FOR ALL STAKEHOLDERS

Customers will be able to take advantage of value-added products and integrated solutions best fitting their needs. The importance placed on innovation helps improve the value proposition, leading to new solutions tackling the challenges of sustainable construction.

Local communities will benefit from existing networks and best practices of Holcim and Lafarge in terms of engagement with local stakeholders, as well as the experience needed to further reduce our environmental impact.

Employees will be able to make the most of opportunities offered in a merger context: attractive career prospects in the most advanced group in building materials, as well as benefiting from the experience drawn from a larger pool of talent.

Shareholders will be able to capitalize on superior growth through rebalanced geographical footprints and major operational efficiency. Optimization of capital allocation and strong cash flow generation should provide financial strength.

Benefits of the project

Through the merger of Lafarge and Holcim, the leading companies in their sector, the new entity will have a strong hand:

- **A global geographical portfolio**. The two companies' implantations complement each other: Lafarge has a strong presence in Africa and the Middle East while Holcim has leading positions in Latin America and Asia-Pacific. By merging these two portfolios, the new Group will have a balanced geographical footprint in 90 countries, 73 of which are emerging countries.
- **A broader customer base, allowing more effective implementation of its strategy of innovation targeted at building better cities**. Through its global presence, sharing best practice and high-quality teams, the new Group will have an exceptional platform to leverage its operational performance. It will also be able to continue expanding its product offer and extend it on a wider scale, to a greater number of customers. The customers will also benefit from the new Group's innovation resources, combined at the Lyon research center and through a network of regional development laboratories. LafargeHolcim's cutting-edge products, solutions and services will specifically address the challenges of urbanization, affordable housing and sustainable construction.

DIVESTMENT PROJECT RELATED TO THE MERGER PROJECT

The two groups announced on February 2, 2015 that they had entered exclusive negotiations further to a binding commitment made by CRH group regarding the sale of the following assets for an enterprise value of 6.5 billion euros (of which 4.2 billion euros represent the enterprise value of assets to be divested by Lafarge):

France: in metropolitan France, all of Holcim's assets, except for its Altkirch cement plant and cement and aggregates sites in the Haut-Rhin region, and a Lafarge grinding station in Saint-Nazaire; Lafarge's assets on Reunion Island, except for its shareholding in Ciments de Bourbon;

Germany: Lafarge's assets;

Hungary: Holcim's operating assets;

Romania: Lafarge's assets;

Serbia: Holcim's assets;

Slovakia: Holcim's assets;

United Kingdom: Lafarge Tarmac's assets with the exception of the Cauldon cement plant and certain associated assets. In this respect, on July 24, 2014 Lafarge signed an agreement with Anglo American Plc for the acquisition by Lafarge of its 50% interest in Lafarge Tarmac. A condition of the acquisition is completion of the merger between Lafarge and Holcim;

Canada: Holcim's assets;

United States: Holcim's Trident cement plant (Montana) and some terminals in the Great Lakes area;

The Philippines: the shares of Lafarge Republic, Inc. (LRI) and other specific assets held by the major shareholders (namely Lafarge Holdings Philippines, Inc., South Western Cement Ventures, Calumboyan Holdings, Inc., and Round Royal, Inc.), except LRI's investment in (i) Lafarge Iligan, Inc., Lafarge Mindanao, Inc. and Lafarge Republic Aggregates, Inc., (ii) the cement terminal at the Harbour Center, Manila, and (iii) other related assets;

Brazil: assets from both Holcim and Lafarge, which include three integrated cement plants and two grinding stations (with a total of 3.6 million tonnes annual cement capacity), as well as some cement plants located in the South-eastern region of Brazil.

The divestment process will be carried out in the framework of the relevant social processes and the ongoing dialog with the employee representatives' bodies. It will be submitted to the relevant competition authorities. The shareholders of CRH have approved this project during the General meeting held on March 19, 2015. The divestments are subject to the completion of the merger, including a successful public exchange offer and approval by Holcim's shareholders, as well as the tender by the shareholders of Lafarge of at least two-thirds of the share capital and voting rights of Lafarge, in July 2015.

In the remaining jurisdictions where regulatory clearance is still pending, both groups will continue to cooperate with the relevant authorities.

- **A healthy financial structure**. The merger of the two groups would lead to operational and financial synergies, as a result of such factors as the rationalization of operations, better procurement policies, lower administrative costs, innovation transfers, better allocation of resources and reduced capital needs, and a lower working capital requirement. Optimization of the new Group's portfolio will also be achieved by divestments of assets representing an enterprise value of 6.5 billion euros.
- **A benchmark group in terms of sustainable development**. Lafarge and Holcim have the ambition of establishing the new Group as a benchmark player in sustainability. Each company has made strong commitments in this area, particularly with respect to the use of natural resources, the circular economy and reducing CO_2 emissions. They will continue to pursue these ambitions together.

Preparing the merger

The merger will be implemented through a public exchange offer by Holcim Ltd for all outstanding Lafarge shares. Two committees have been formed to prepare for the creation of the new Group:

- **An Integration Committee**

  This committee has the dual tasks of preparing the launch of the new Group and working on the integration project, which will only be rolled out after the merger, given that the two companies must remain competitors until the merger is effective.

  Workstreams have been formed, made up equally of Lafarge and Holcim people, in order to address five key aims: creating the new company, preparing the integration of 90 countries, preparing the integration of the support functions, engaging employees and organizing the integration of management while at the same time ensuring the continuity of business.

- **A Divestment Committee**

  Consisting of representatives from both companies, it has adopted a proactive approach in presenting the competition authorities with lists of assets that could be sold, after an evaluation of those situations where divestments appear necessary.

Agreement on revised terms for the merger of equals between both companies

On March 20, 2015, the Boards of Directors of Holcim and Lafarge announced that they have reached an agreement on revised terms for the merger of equals between both companies.

Both parties agreed on a new exchange ratio.

Wolfgang Reitzle and Bruno Lafont will be nonexecutive Co-Chairmen of the Board. The two Co-Chairmen will be working closely together to make this merger a success. Beat Hess will be Vice-Chairman of the Board.

A new Chief Executive Officer for the combined group, to be proposed by the Lafarge Board of Directors and accepted by the Holcim Board of Directors, will be appointed as from the closing of the transaction. The appointment is expected to be communicated in due course, at the latest upon filing of the public offer to the Lafarge shareholders.

The Holcim shareholder resolutions required to implement the combination are expected to be presented to a Holcim shareholders meeting on or about May 7, 2015.

Lafarge and Holcim have agreed that, subject to shareholder approval, the new company will announce a post-closing scrip dividend of 1 new LafargeHolcim share for each 20 existing shares.

With this amended agreement, the project to combine Lafarge and Holcim to become the most advanced company in its industry has taken another important step forward. Both companies are continuing to work intensively on preparing the closing of the transaction and the successful integration post-merger.

Certain key shareholders of both companies have confirmed their support for the revised merger terms. The Parties expect the transaction to close in July 2015.

This section contains forward-looking information and statements about the combined businesses of Holcim and Lafarge after completion of the proposed transaction that have not been audited or independently verified. Forward-looking statements are statements that are not historical facts. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations. Although such forward-looking statements are believed to be reasonable, readers are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of the companies, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. The combined group may not realize the full benefits of the transaction. The information in this section does not constitute an offer to purchase or exchange or the solicitation of an offer to sell or exchange any securities of Lafarge.

1.3 OVERVIEW OF OPERATIONS

In this section, unless stated otherwise, figures except revenue and Ebitda include the joint ventures.

The breakdown of Lafarge revenue by geographic area and activity is as follows:

REVENUE BY GEOGRAPHIC AREA[1]

	2014		2013 [2]	
	(million euros)	(%)	(million euros)	(%)
Western Europe	2,109	16	2,208	17
North America	3,008	24	3,064	23
Central and Eastern Europe	1,067	8	1,145	8
Middle East & Africa	3,711	29	3,632	28
Latin America	712	6	869	7
Asia	2,236	17	2,173	17
TOTAL	**12,843**	**100**	**13,091**	**100**

(1) *After elimination of sales between geographic areas.*

(2) *2013 figures have been restated following the application of IFRS 11.*

REVENUE BY ACTIVITY[1]

	2014		2013 [2]	
	(million euros)	(%)	(million euros)	(%)
Cement	8,545	67	8,645	66
Aggregates & Concrete	4,253	33	4,397	34
Other products	45	-	49	-
TOTAL	**12,843**	**100**	**13,091**	**100**

(1) *After elimination of sales between activities.*

(2) *2013 figures have been restated following the application of IFRS 11.*

EBITDA[1] BY GEOGRAPHIC AREA

	2014		2013 [2]	
	(million euros)	(%)	(million euros)	(%)
Western Europe	291	11	264	9
North America	578	21	552	20
Central and Eastern Europe	226	8	201	7
Middle East & Africa	1,043	38	1,032	37
Latin America	150	6	240	9
Asia	433	16	505	18
TOTAL	**2,721**	**100**	**2,794**	**100**

(1) *As defined in Section 2.2.4 (Reconciliation of non-GAAP Financial measures).*

(2) *2013 figures have been restated following the application of IFRS 11.*

EBITDA[1] BY ACTIVITY

	2014		2013 [2]	
	(million euros)	(%)	(million euros)	(%)
Cement	2,380	87	2,438	87
Aggregates & Concrete	394	15	411	15
Other activities	(53)	(2)	(55)	(2)
TOTAL	**2,721**	**100**	**2,794**	**100**

(1) *As defined in Section 2.2.4 (Reconciliation of non-GAAP Financial measures).*
(2) *2013 figures have been restated following the application of IFRS 11.*

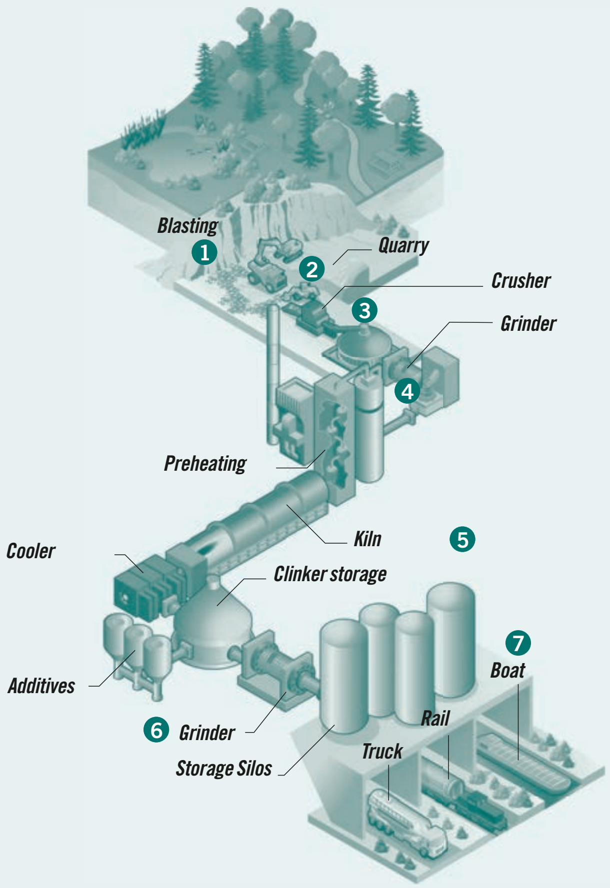
In the following pages of this Section 1.3:

- *revenue figures are presented "by origin" country. They include all the amounts both produced and sold by country, as well as any quantities exported to other markets. They are presented before elimination of inter-activities sales and calculated following applicable consolidation rules;*
- *data regarding the number of sites and production capacity include 100% of consolidated subsidiaries and joint ventures;*
- *the percentage of Revenue for each region is computed in relation to the total Revenue of the relevant activity, before elimination of inter-activities sales.*

During its operations, Lafarge may face risks that are presented in Section 5.1 (Risk Factors).

Detailed comments per geographic area and per country can be found in Section 2.3 (Results of operations for the years ended December 31, 2014 and 2013).

CEMENT



A WORLD LEADER

(December 31, 2014)

8,545
revenue
million euros

37,000
employees
(27,000 without
joint ventures)

55
countries

149
production sites

1

1.3.1 CEMENT

Cement production historically represents the Lafarge core business. Cement is the principal hydraulic binder. It is the principal strength-giving and property-controlling component of concrete. It is a high quality, cost-effective building material that is a key component of construction projects throughout the world.

On the basis of both internal and external research, taking into account Revenue, production capacity, geographical positions, technological development and quality of service, Lafarge is a global leader in cement production.

a) Profile

At year-end 2014, Lafarge operated, 112 cement plants and 37 grinding plants in 55 countries, with an annual production capacity of 215 million tonnes (total capacity of the entities consolidated by Lafarge, of which 165 million tonnes after deduction of capacities operated in the framework of joint ventures). Consolidated sales for 2014 reached 116.4 million tonnes (compared with 114.4 million tonnes in 2013 restated to reflect the application from January 1, 2014 of the new IFRS 11 accounting standard on joint arrangements).

b) Production process

The raw materials needed to make cement are calcium carbonate, silica, alumina and iron ore. These are usually present in limestone, chalk, marl, shale and clay.

These raw materials are crushed, then ground up and mixed in the appropriate proportions. The resulting mixture is then put into a rotary kiln and heated to approximately 1,500°C to produce clinker. The clinker is finely ground with gypsum to make cement.

It is also possible to substitute other ingredients—such as limestone, ground slag (by-product of steel manufacturing), fly ash (created when coal is burned in thermal power plants), or pozzolan (volcanic slag) —for certain raw materials or to add these ingredients at the end of the manufacturing process. This technique makes it possible to cut energy bills and CO_2 emissions and to broaden the range of products.

See Section 1.2.3.b) (Becoming increasingly competitive through performance) for further information on lowering energy costs and improving the cement/clinker ratio.

An average breakdown of the production cost of cement (before distribution and administrative costs) is approximately: energy 30%, raw materials and consumables 32%, labor, maintenance and other production costs 26%, and depreciation 12%.

See paragraph "Customers, products and services" on page 36.

c) The cement industry

The cement industry is capital intensive: construction of a new production line represents more than two years of its full capacity sales. As a result, the cement industry saw a trend toward concentration beginning in the 1970s.

Today, there are several multinational cement companies, including, other than Lafarge, Holcim (Switzerland), HeidelbergCement (Germany), Italcementi (Italy), Buzzi Unicem (Italy), Cemex (Mexico), Taiheiyo (Japan), Camargo Corrêa and Votorantim (Brazil), and many smaller international corporations. Most of the major international cement companies implemented cost reduction plans and focus on internal growth. There are also well-positioned national and regional producers alongside multinational corporations.

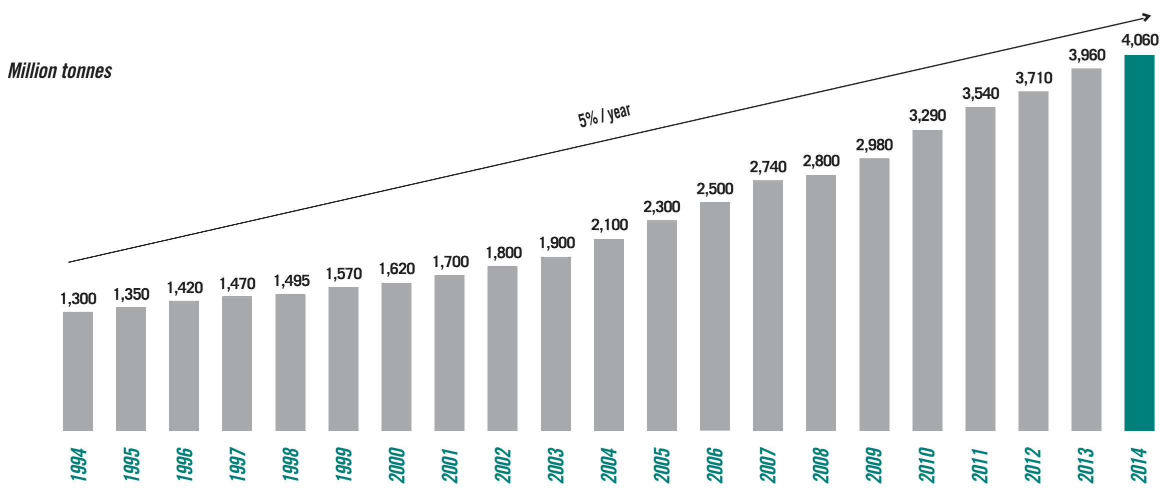
In 2014, local players based in emerging countries continued to gain strength. Chinese giants CNBM and ANHUI CONCH do not have any presence outside China.

d) Markets

Emerging markets (Central and Eastern Europe, Asia, Middle East & Africa, Latin America) currently represent 90% of the world market, while North America and Western Europe make up the remaining 10%. Lafarge has a large presence in each of these markets, in fierce competition with other international cement companies and local producers.

Over the past twenty years, worldwide cement consumption has significantly increased with an average rate of growth above 5% per year. Despite the economic and financial situation, global cement demand grew by approximately 3% in 2014, supported by the dynamism of many emerging markets, particularly China and Sub-Saharan Africa and the progressive recovery in the United States. Mid and long-term prospects for cement demand remain favorable, especially in these markets, where demography, urbanization and economic growth drive the needs for housing and infrastructure.

EVOLUTION OF THE GLOBAL CEMENT MARKET



Analyse Lafarge

e) Location of our cement plants and markets

Cement is a product that is costly to transport over land. Consequently, the radius within which a typical cement plant is competitive extends for no more than 300 kilometers for the most common types of cement[1]. However, cement can be shipped more economically by sea and inland waterway over great distances. The location of a cement plant and the cement transportation cost significantly affect the plant's competitiveness. Lafarge establishes its plants near its clients as far as possible.

f) Customers, products, and services

Lafarge produces an extensive line of cements and hydraulic binders, ranging from Portland cements and classic masonry cements to specialized products for different types of environments (*e.g.*, environments exposed to seawater, sulfates and other harsh natural conditions, in which case cements with high slag or pozzolan content provide greater durability) and products intended for specific applications (*e.g.* white cement, oil-well cements, road surfacing binders, etc.).

These products are designed for all segments of the construction and public works industries: construction/public works companies, manufacturers (producers of ready-mix concrete and prefabricated products), and the general public, via retailers.

These products go hand-in-hand with certain complementary services, such as technical support, order and delivery logistics, documentation, and demonstrations and training related to the characteristics and proper use of cement.

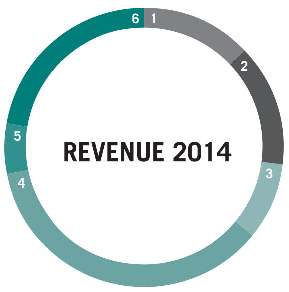
The quality and consistency of the products, as well as the reliability of a producer's deliveries and related services represent major competitive advantages. Lafarge makes every effort to meet its customers' expectations in these areas.

g) Breakdown by regions

Lafarge produces and sells cement in the regions and countries listed in the tables below.

The following presentation shows, for each region, the percentage contribution to 2014 cement Revenue in euros, as well as the number of plants operated, cement production capacity, and approximate market share in each country over the year ending December 31, 2014.

REVENUE CEMENT ACTIVITY 2014



1. Western Europe	13%
2. North America	14%
3. Central and Eastern Europe	9%
4. Middle East and Africa	36%
5. Latin America	6%
6. Asia	22%

In the following section, stated production capacities are reported on the basis of 100% of operating plants of companies controlled by Lafarge and joint ventures in the indicated countries, irrespective of the percentage of ownership. Volumes sold are reported by origin before elimination of intra-group sales.

The approximate market share has been calculated per country based on information contained in the Industrial Building Materials Sector report published by Jefferies in June 2014 (the "Jefferies Report") and internal estimates.

(1) *G4-DMA: transport.*

WESTERN EUROPE (13% OF THE CEMENT ACTIVITY 2014 REVENUE)

	NUMBER OF			
Country	Cement plants	Grinding plants	Cement production capacity (million tonnes)	Approximate market share (%)
France[1]	9	6	10.6	34
Greece	2	-	6.8	50
Spain	3	1	6.0	10
United Kingdom[1]	5	-	4.6	40
Germany[1]	2	1	3.7	10
French West Indies	-	2	0.7	100
TOTAL WESTERN EUROPE	**21**	**10**	**32.4**	

(1) *See Section 1.2.7 for more information on disposals proposed in the framework of the merger project.*

Lafarge disposed of one cement grinding station in French Guyana in 2014.

In the United Kingdom Lafarge operates through a 50/50 joint venture co-owned by Lafarge and Anglo American.

NORTH AMERICA (14%OF THE CEMENT ACTIVITY 2014 REVENUE)

	NUMBER OF			
Country	Cement plants	Grinding plants	Cement production capacity (million tonnes)	Approximate market share (%)
United States	6	3	10.7	21[1]
Canada	6	2	5.8	33
TOTAL NORTH AMERICA	**12**	**5**	**16.5**	

(1) *For our relevant markets.*

CENTRAL AND EASTERN EUROPE (9% OF THE CEMENT ACTIVITY 2014 REVENUE)

	NUMBER OF			
Country	Cement plants	Grinding plants	Cement production capacity (million tonnes)	Approximate market share (%)
Poland	3	-	5.7	20
Romania[1]	2	1	4.9	31
Russia	2	-	3.7	7
Austria	2	-	2.0	32
Serbia	1	-	2.0	45
Moldova	1	-	1.4	62
Czech Republic	1	-	1.2	9
Hungary	1	-	1.0	20
Slovenia	1	-	0.6	38
TOTAL CENTRAL AND EASTERN EUROPE	**14**	**1**	**22.5**	

(1) *See Section 1.2.7 for more information on disposals proposed in the framework of the merger project.*

In Russia, Lafarge inaugurated in the Moscow area a brand new integrated dry process plant (2 million tonnes capacity) in the second quarter of 2014 and in the fourth quarter of 2014, disposed of one wet process plant in the Urals region.

MIDDLE EAST AND AFRICA (36% OF THE CEMENT ACTIVITY 2014 REVENUE)

Country	NUMBER OF Cement plants	NUMBER OF Grinding plants	Cement production capacity (million tonnes)	Approximate market share (%)
Egypt	1	-	10.0	15
Algeria	2	-	9.4	36
Morocco	3	1	6.8	43
Iraq	3	-	5.8	24
Nigeria	3	-	5.7	32
Jordan	2	-	4.8	33
South Africa	1	2	3.6	17
United Arab Emirates	1	-	3.0	6
Syria	1	-	2.6	23
Kenya	1	1	2.0	48
Cameroon	1	1	1.7	92
Zambia	2	-	1.3	75
Uganda	1	-	0.8	62
Benin	1	-	0.7	37
Zimbabwe	1	-	0.5	38
Tanzania	1	-	0.3	22
Malawi	-	1	0.2	76
TOTAL MIDDLE EAST AND AFRICA	**25**	**6**	**59.2**	

Lafarge develops its Cement Business through joint ventures in Morocco (50%), the United Arab Emirates (50%) and Benin (50%).

Lafarge also has two interests consolidated by the equity method:

- in Nigeria, a 35% stake in Unicem (2.5 million tonnes capacity plant);
- in Saudi Arabia, a 25% stake in Al Safwa Cement, which operates a 2 million tonnes capacity plant.

LATIN AMERICA (6% OF THE CEMENT ACTIVITY 2014 REVENUE)

Country	NUMBER OF Cement plants	NUMBER OF Grinding plants	Cement production capacity (million tonnes)	Approximate market share (%)
Brazil(1)	5	3	7.1	11-12(2)
TOTAL LATIN AMERICA	**5**	**3**	**7.1**	

(1) *See Section 1.2.7 for more information on disposals proposed in the framework of the merger project.*
(2) *For our relevant markets.*

In the fourth quarter of 2014, Lafarge sold its cement operations in Ecuador to Union Andina de Cementos S.A.A. (1.4 million tonnes capacity).

In 2014, Lafarge disposed of its entire stake (47%) in its joint venture with Elementia in Mexico (three plants serving the Mexico City area).

ASIA (22% OF THE CEMENT ACTIVITY 2014 REVENUE)

	NUMBER OF			
Country	Cement plants	Grinding plants	Cement production capacity (million tonnes)	Approximate market share (%)
China	20	5	31.6	6-22[(1)]
Malaysia	3	1	12.5	37
South Korea	1	2	9.6	13
India	3	2	11.0	20[(2)]
Philippines[(3)]	5	1	6.5	33
Pakistan	1	-	2.1	6
Indonesia	1	-	1.6	4
Bangladesh	1	-	1.6	7
Vietnam	-	1	0.5	1
Total Asia	**35**	**12**	**77.0**	

(1) *Depending on the regions in which Lafarge is operating.*
(2) *For our relevant markets.*
(3) *See Section 1.2.7 for more information on disposals proposed within the framework of the merger project.*

In China, Lafarge operates through a joint venture with Hong Kong based company Shui On. This joint venture is currently the market leader in South-west China (Sichuan, Chongqing, Guizhou and Yunnan).

The Cement business in Bangladesh is held through a joint venture with Cementos Molins (Spain).

CEMENT TRADING ACTIVITIES

Lafarge also manages worldwide cement trading activities, which helps it to meet fluctuations in demand in certain countries without building plants that may result in excess capacity. Lafarge conducts these activities primarily through its subsidiary Cementia Trading. In addition, another subsidiary, Marine Cement. acts as an importer and distributor of cement in the Indian Ocean and the Red Sea countries.

AGGREGATES AND CONCRETE

N°2 AND 4 worldwide

(December 31, 2014)

4,253
revenue
million euros

26,000
employees
(17,000 without joint ventures)

37
countries

1,463
production sites

1.3.2 AGGREGATES AND CONCRETE

AGGREGATES

Aggregates are used as raw materials for concrete, masonry and asphalt, and as base materials for roads, landfills, and building. As such, it is a key component of construction projects worldwide.

According to internal and external analysis, Lafarge is the world's second largest producer of aggregates, thanks in large part to its mineral reserves in key markets. These reserves are an undeniable advantage given the growing environmental pressures that make it increasingly difficult to obtain extraction permits. The Group's responsible environmental management and quarry restoration contribute to the ability to obtain these permits.

a) Profile

On December 31, 2014, Lafarge had 437 production facilities for aggregates (each including one or more quarries) in 23 countries. Consolidated sales excluding non-consolidated joint ventures reached approximately 161.4 million tonnes (190.8 million tonnes including these joint ventures).

See Section 2.2.1 (Significant accounting policies) for more information about the change of accounting policy for joint ventures.

b) Production process

Aggregates are typically produced by blasting hard rock from quarries and then extracting it and crushing it. Aggregate production also involves the extraction of sand and gravel from both land and marine locations, which generally requires less crushing. In both cases, the aggregates are then screened to obtain various sizes to meet different needs.

c) Industry and markets

The production of aggregates requires heavy equipment including crushing and screening systems and mobile equipment like wheel loaders and dumpers, etc. The cost of the processing systems and mobile equipment can range from a few million euros for a small quarry to several tens of million euros for a very large quarry. Furthermore, the law in many countries restricts the development of new sites. Consequently, the aggregates industry is in the early stages of consolidation, mainly in developed markets. Competitors include a few multinational groups (Lafarge, Cemex, CRH, HeidelbergCement, Holcim), national producers like Martin Marietta Materials and Vulcan Materials in the US, and a large number of independent operators.

Because of the high weight of aggregates and the cost to ship them, markets are very local in nature. Although it does business worldwide, Lafarge still remains mainly present in Western Europe and North America.

d) Customers, products, and services

The customers of the aggregates activity number in the tens of thousands. Major customers include concrete and asphalt producers, manufacturers of prefabricated products and construction and public works contractors of all sizes.

Aggregates differ in terms of their physical characteristics such as hardness, geological nature (limestone, granite, etc.), their granularity (ranging from sand to riprap used in seawalls), their shape, their color and their granular distribution. These characteristics have a large impact on the quality of the applications in which they are used, especially for concrete. The work of the Lafarge Research Center has made it possible to redefine its offer to products with greater added value. Lafarge also markets high-quality recycled aggregates made from crushed concrete and asphalt issued from deconstruction.

READY-MIX CONCRETE

Ready-mix concrete is one of the largest markets for the cement and aggregate industries.

As the fourth largest producer of ready-mix concrete, according to internal and external analyses, Lafarge is known for its innovation with sophisticated, high value added concretes.

a) Profile

On December 31, 2014, Lafarge had 1,026 concrete plants in 33 countries. Consolidated sales excluding non-consolidated joint ventures reached approximately 26.4 million cubic meters (30.6 million cubic meters including these joint ventures).

See Section 2.2.1 (Significant accounting policies) for more information about the change of accounting policy for joint ventures.

b) Production process

Indispensable to most construction projects around the world, concrete is produced by mixing aggregates, cement, chemical admixtures and water in varying proportions depending on the type of concrete to be produced. Ready-mix concrete is prepared at concrete production plants. The mixture is loaded into concrete trucks so that it can be mixed until consistent and delivered to the customer within a very specific timeframe. Concrete plants are usually fixed permanent sites, but there are also portable facilities that may be set up at major construction sites or at sites that are too far removed from any permanent plants.

c) Industry and markets

The ready-mix concrete industry is less capital intensive than the cement industry. It is also highly decentralized, since concrete is a heavy product that must be delivered quickly, thus requiring that production facilities be near to wherever the concrete is going to be used. Because of this, only very large integrated corporations that produce both cement and aggregates, including Lafarge and its main competitors – Cemex, CRH, HeidelbergCement, Holcim and Italcementi – have succeeded in establishing an international presence in this market. The competition consists mainly of independent, local operators.

Lafarge's ready-mix concrete production facilities are still located primarily in Western Europe and North America. However, its operations are rapidly expanding in North Africa, the Middle East, Latin America and Asia.

d) Customers, products, and services

Buyers of ready-mix concrete are typically construction and public works contractors, ranging from major multinational corporations to small-scale customers. In this highly competitive market, Lafarge works to set itself apart based on the quality and consistency of its products, the breadth of its product line and, especially, the innovative products by its Research Center. These products include ultra-high performance fiber reinforced concrete, self-filling and self-levelling concrete, decorative concrete, insulating concrete, pervious concrete, etc.

ASPHALT

In North America and the United Kingdom, we produce asphalt which we sell either as a stand-alone product, or in conjunction with contracted paving. Asphalt consists of 90-95% dried aggregates mixed with 5-10% heated liquid bitumen, a by-product of oil refining that acts as a binder.

We obtain much of the aggregates needed to produce asphalt from internal sources and purchase the bitumen from third party suppliers. Bitumen is a by-product of petroleum refining, the price of which is tied to oil prices. Asphalt is produced at plants consisting of raw material storage facilities and equipment for combining raw materials in the proper proportions at a high temperature. Our asphalt plants range in output from 5,000 to 500,000 tonnes per year.

Like concrete, asphalt must be delivered quickly by specialized vehicles after it is produced. Thus, asphalt markets tend to be very local. Generally speaking, asphalt is sold directly by the asphalt producer to the customer, with only very limited use of intermediate distributors or agents since prompt and reliable delivery is essential.

BREAKDOWN BY REGION

Lafarge produces and sells Aggregates and Concrete in the regions and countries of the world listed in the table below. The table shows the number of industrial sites operated on December 31, 2014 and the volume of Aggregates and Concrete sold in 2014.

	NUMBER OF INDUSTRIAL SITES		VOLUMES SOLD[2]	
Region/country	**Aggregates[1]**	**Ready-mix concrete**	**Aggregates** (million tonnes)	**Ready-mix concrete** (million cubic meters)
WESTERN EUROPE				
France	106	263	31.5[5]	6.2
United Kingdom	96	102	24.8[3]	1.5[3]
Spain	7	31	1.5	0.5
Greece	7	19	1.5	0.5
Other	-	2	-	-
NORTH AMERICA				
Canada	105	156	55.1[6]	4.9[4]
United States	37	30	32.5	1.1
CENTRAL AND EASTERN EUROPE				
Poland	14	34	12.6	1.3
Romania	14	19	2.6	0.6
Russia	3	-	1.9	-
Ukraine	3	-	4.6	-
Serbia	-	5	-	0.1
MIDDLE EAST AND AFRICA				
South Africa	20	52	6.0	1.4
Reunion/Mauritius	4	10	1.0	0.3
Egypt	3	21	1.9	1.2
Algeria	1	25	0.5	0.9
Morocco	3	27	0.4[3]	0.4[3]
Nigeria	-	7	-	0.2
Zambia	1	-	0.2	-
Qatar	1	13	0.2[3]	0.7[3]
Iraq	1	14	-	0.6
Oman	-	10	-	0.3[3]
Jordan	-	7	-	0.9
Saudi Arabia	-	2	-	0.1[3]
United Arab Emirates	-	4	-	0.3[3]
Kuwait	-	5	-	0.2[3]

	NUMBER OF INDUSTRIAL SITES		VOLUMES SOLD[2]	
Region/country	Aggregates[1]	Ready-mix concrete	Aggregates (million tonnes)	Ready-mix concrete (million cubic meters)
OTHER				
Malaysia/Singapore	4	31	3.4	1.9
Philippines	2	-	4.2	-
Brazil	4	63	3.0	1.4
India	1	64	0.9	2.6
Other	-	10	0.5[3]	0.5[3]
TOTAL	**437**	**1,026**	**190.8**	**30.6**

(1) *Industrial sites for the production of aggregates from one or more quarries.*
(2) *Volumes sold take into account 100% of volumes from fully consolidated subsidiaries and volumes sold as part of non-consolidated joint ventures.*
(3) *Volumes sold as part of a non-consolidated joint venture.*
(4) *Including 0.52 million cubic meters sold as part of a non-consolidated joint venture.*
(5) *Including 1.4 million tonnes sold as part of a non-consolidated joint venture.*
(6) *Including 1.8 million tonnes sold as part of a non-consolidated joint venture.*

In 2014, Lafarge's asphalt operations produced and sold a total of 6.1 million tonnes in the United States, Canada and the United Kingdom, principally in joint-ventures.

1.3.3 OTHER PRODUCTS: GYPSUM

Nearly all of the Group Gypsum activities were disposed of in Asia, Europe, South America, Australia and United States in 2011 and 2013. Lafarge retained operations only in a few countries in the Middle East and Africa region.

1.3.4 MINERAL RESERVES AND QUARRIES

In an effort to secure the availability of raw materials necessary to produce our products, Lafarge is implementing internal procedures to manage mineral resources by managing land control and permits, as well as by monitoring the reserves of its quarries.

a) Objectives

Lafarge's businesses activities are involved in heavy industry, and as such, are built to last. Therefore, they must own or have control over substantial reserves of raw materials. These reserves represent a major competitive asset in terms of their location, quantity and quality.

All business units must follow the Group policy concerning the acquisition and preservation of its reserves (limestone, marl, clay, sand, etc.), within the constraints of local regulations.

In particular they must ensure to have adequate reserves for:

- plants currently in operation;
- plants projected for the relatively near future;
- long-term projects intended to assure growth, restructuring or strategic positioning.

The exploration for deposits must be based on rigorous geological studies.

b) Requirements

- Lafarge's reserves are classified following in the four categories: "proven", "probable", "possible" and "potential". This classification allows the split in Reserves *sensu stricto* (proven and probable) and mineral resources (possible and potential).
- Each entity has to define its reserves in terms of years of production of aggregates or clinker production (for cement). The target in cement is to maintain fifty years of proven and probable reserves, except where justified for example by constraints due to local regulations.
- For each deposit, entities must establish a long-term plan for obtaining or extending mining rights, and for managing landholding and operating permits. For all areas involved in long-term operations, including buffer zones, this plan must contain the following information:
  - property limits;
  - expiry dates of mining permits;
  - tonnage and quality of reserves;
  - characteristics of the deposits and their environmental constraints;
  - action plans and budget necessary until restoration.

c) Definitions

The raw material deposits are considered as reserves when the technical and economical operability is confirmed. Reserves of raw materials are validated by the Industrial Performance Department and classified as follows:

PROVEN AND PROBABLE RESERVES

Reserves are defined as proven when Lafarge has full control over them through the following parameters:

- the mining rights and necessary administrative permits for mining operations are obtained;
- the full control of the land for which we have the mining rights is achieved;
- the reserve evaluation is validated based on representative core drilling or equivalent and reliable geochemical analyses.

Reserves are defined as probable if the mining permit or the land control are subject to renewal.

POSSIBLE AND POTENTIAL RESOURCES

Resources are defined as possible if only one of the above parameters is not fully achieved, such as:

- some necessary administrative permits for mining operations could be incomplete;
- the control of the land for which Lafarge has mining rights could be incomplete;
- the necessary geological investigations have not been finalized.

Resources are considered as potential if they are in land which is not fully controlled, but recognized as potentially mine-able after obtaining the necessary permits. The necessary geological investigations are not fully carried out.

d) Remarks on the impact of local regulations on permits

- In some countries, permits are given for a limited period of time. Reserves are, therefore, proven for the duration of the permits and probable for the remaining time. Local regulations may impact proven reserves. In France, for example, the mining right duration is not more than 30 years; in the most favorable case, the reserves can only be proven for 30 years. In other countries the mining rights could be obtained for a very long period of time, but the surface rights are limited to 5 years. In this case, reserves are proven for 5 years and probable for the remaining duration of the mining rights. For this reason, proven and probable reserves are reported together.
- The mining rights procedures in each country may also influence the land control strategy that is implemented locally. For example, a limited duration of mining rights provides less visibility on the future. Surface rights will be granted until expiry of this period but not necessarily beyond. The capital expenditure is thus spread out over a long period of time. In that hypothesis, the corresponding reserves are only potential. Land management is therefore specific to each situation.

e) Yearly reporting

A senior geologist in the Industrial Performance team must approve the reserve reporting for cement production in his area. For aggregates, the calculation of reserves is approved by the Land Director of each country.

Ownership titles, mining permits and others legal issues (environment, parks, historical monuments, etc.) must be validated by a Lafarge legal manager.

The reserves are expressed in years of production (of clinker for cement, or of aggregates for the aggregates product line) as compared to average production of the three previous years.

Every year the reserves table is updated in the yearly internal reporting. The numbers are worked out between the geologists and the quarry managers according to the reserves calculated using the latest quarry deposits model and plant raw material consumption.

- The Industrial Performance Department geologist obtains the tonnage mined during the previous year from the quarry manager.
- The reserve calculation is made by the Industrial Performance Department geologist for cement and by the geologist of the entity for aggregates:
  - simple yearly calculation by subtracting quarry production from the last reserve estimation,
  - full reserves reconciliation using accurate topographic survey, deposit block model and production figures (every three-five years).

For purposes of external reporting of the cement plants' reserves, only the limestone reserves are considered critical for the plant's life. Additives such as clay, sand, iron and alumina represent a small percentage of the ingredients making up the raw mix. The supply of these additives is controlled either through ownership of quarries, like for limestone, or through supply agreements. Control of these materials is not as critical as control of limestone resources, since they may be purchased from outside sources and transported long distances. Nevertheless, internal teams monitor the sourcing of these materials since this could potentially impact production costs.

In the tables below, the reserves are consolidated region by region with the total tonnage of raw material reserves available divided by the total production of the plants in each region. As explained above, the production taken as a reference is the average production of the past three years. All the plants technically managed by Lafarge at the end of December 2014 are fully taken into account, even if Lafarge is not the majority shareholder.

CEMENT

	Average Production 2012 - 2014 (MT Clinker)	Proven and probable reserves (years)	Possible and potential resources (years)	Number of clinker production sites
Western Europe	13.7	54	95	21
North America	8.7	145	55	12
Central and Eastern Europe	8.7	137	121	14
Middle East and Africa	33.2	58	52	25
Latin America	3.3	91	237	5
Asia	44.4	32	42	35
TOTAL	**112.0**	**61**	**64**	**112**

AGGREGATES

	Average Production 2012 - 2014 (MT Aggregates)	Proven and probable reserves (years)	Possible and potential resources (years)	Number of quarries
Western Europe	70.5	39	9	216
North America	77.5	62	30	142
Central and Eastern Europe	20.6	30	66	34
Middle East and Africa	10.4	46	25	34
Latin America	2.8	21	52	4
Asia	7.2	17	1	7
TOTAL	**189.0**	**46**	**25**	**437**

The changes in reserves reflect the divestments and coming on stream of new sites in various countries.

1.3.5 EXPENDITURES IN 2014 AND 2013

The following table presents the Group's capital expenditures for each of the two years ending December 31, 2014 and 2013. Sustaining expenditures serve to maintain or replace equipment, while internal development expenditures are intended to enhance productivity, increase capacity, or build new production lines. External development expenditures are devoted to the acquisition of production assets and equity interests in companies.

	SUSTAINING AND INTERNAL DEVELOPMENT EXPENDITURES		EXTERNAL DEVELOPMENT EXPENDITURES	
(million euros)	**2014**	**2013[1]**	**2014**	**2013[1]**
Western Europe	128	147	130	25
North America	200	117	14	(2)
Central and Eastern Europe	133	287	3	(1)
Middle East and Africa	153	133	10	11
Latin America	84	59	4	1
Asia	145	202	21	2
TOTAL	**843**	**945**	**182**	**36**

(1) *Figures have been adjusted following the application of IFRS 11 (See Note 2.1 to the consolidated financial statements for more information).*

See Section 2.4 (Liquidity and Capital Resources) for more information on 2014 investments.

Lafarge generally owns its plants and equipment. The legal status of the quarries and lands depends on the activity:

- in the Cement activity, Lafarge owns its quarries or holds long-term operating rights;
- in the Aggregates activity, mineral lease contracts are favored in order to minimize the capital employed.

See also Section 1.3.4 (Mineral reserves and quarries) for more information.

1.3.6 CAPITAL EXPENDITURES PLANNED FOR 2015

Capital expenditures for 2015 will be limited initially to 1.1 billion euros.

These capital expenditures will be financed notably by the cash provided by operating activities, cash provided by the issuance of debt, and establishment of short and medium-term credit lines.

2

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

2.1 OVERVIEW

2.1.1 2014 HIGHLIGHTS

After a first semester of 2014 in which the construction sector was better oriented than last year, the construction activity showed more moderate growth in the second half of the year, due to a higher comparison basis in Europe, notably in France, and lower volumes sold in Iraq. Most emerging markets, the United States and the United Kingdom benefited from solid trends throughout the year.

Like-for-like, cement volumes are up 4% for the year thanks to continued growth in most emerging markets and the United States, the benefit from our innovation actions and the startup of our new plants in India and in Russia.

Sales and Ebitda were impacted by the adverse effect of changes in scope and foreign exchange variations.

Like-for-like sales and Ebitda rose respectively 3% and 5% for the year. Group Ebitda margin improved 40bps like-for-like over the period driven by solid performance in most of our regions and despite strong inflation in Latin America and Asia. The Group delivered its 2014 cost cutting and innovation target, generating 600[(1)] million euros in the year (370 million euros from cost cutting and 230 million euros from innovation).

Reported Net income Group share is affected by one-off items, including 385 million euros non-cash impairment of assets and gains and losses on divestments. 2014 Net income Group share adjusted for one-off items is up 10% compared to 2013, supported by Ebitda organic growth, lower restructuring and financial charges and the steady improvement of joint ventures' net profit.

Group Net debt was further reduced, at 9.3 billion euros as of December 31, 2014. 0.2 billion euros of additional cash proceeds from divestments secured in 2014 are expected to be received in 2015 and will contribute to further reduce net debt.

The 2014 year was also marked by the announcement of a project of merger of equals between Lafarge and Holcim on April 7, 2014. Since this announcement, major steps major steps towards the completion of the merger project were achieved and the project is fully on track to be finalized in July 2015.

See Section 1.2.7 (LafargeHolcim, a project for a merger of equals to create the most advanced player in the building materials sector) for more information on the merger project.

2.1.2 OUTLOOK AND EBITDA FORECAST FOR 2015

Overall the Group sees cement demand increasing for the full year 2015 between 2 to 5 percent versus 2014 in its markets, predominantly driven by growth in emerging markets.

Cost inflation in 2015 should continue, at a slower pace than in 2014 given recent evolution of fuel oil prices. This should result in higher prices overall.

The Group confirms its target to generate at least 1.1 billion euros of additional Ebitda from its cost reduction and innovation measures in 2015-2016. This represents a minimum objective of 550 million euros per annum.

In this context the Group should drive significant growth of its results and targets an Ebitda of between 3 billion and 3.2 billion euros in 2015.

Additionally, capital expenditures in 2015 will be limited at 1.1 billion euros, and net debt should be reduced to between 8.5 billion euros and 9 billion euros at year-end.

The above forward-looking trends, targets or objectives, as the case may be, including with respect to plans, initiatives, events, products, solutions and services, their development and potential do not constitute forecasts regarding results or any other performance indicator. Although Lafarge believes that the trends, targets and objectives reflected in such forward-looking statements are based on reasonable assumptions as at the time of publishing this document, investors are cautioned that these statements are not guarantees of future performance. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are difficult to predict and generally beyond the control of Lafarge, including but not limited to the risks described in the section 5.1 (Risks factors) and uncertainties related to the market conditions and the implementation of our plans. Nothing contained herein is, or shall be relied on as, a promise or representation as to the future performance of Lafarge. Accordingly, we caution you against relying on forward looking statements.

Furthermore, these forward-looking statements are applicable to the Lafarge group on a standalone basis only and are not applicable to the LafargeHolcim group as from the date of completion of the planned merger of equals announced on April 7, 2014.

(1) *Total Ebitda figures before application of IFRS 11 on joint-ventures. After application of IFRS 11, these measures generated 505 million euros at Ebitda level (310 million euros from cost cutting and 195 million euros from innovation).*

Main assumptions underlying the Ebitda 2015 forecast

The above Ebitda 2015 forecast is applicable to the Lafarge group on a standalone basis only and is not applicable to the LafargeHolcim group as from the date of completion of the planned merger of equals announced on April 7, 2014. This forecast was prepared using accounting methods that are consistent with those applied by the Group for the preparation of historical information. It is based on a number of assumptions, including the following:

- the data was prepared based on exchange rates determined at Group level; the group is expecting a positive impact from exchange rates evolution on its 2015 results compared to 2014;
- cement demand growth assumptions on Group markets will reach 2 to 5 percent and will be driven by emerging markets notably in Middle East and Africa and Asia regions, and by the USA while cement demand growth will be moderate in Europe and Brazil;
- costs inflation will continue but at a slower pace compared to 2014 thanks to recent fuel oil price evolution. Overall costs inflation will reach 3% to 3.5% including positive trend on energy costs (Energy cost evolution assumed to be around -1% compared to 2014). This should result in higher prices overall;
- cost reduction and innovation measures will generate a minimum of 550 million euros of additional Ebitda in 2015.

2.1.3 STATUTORY AUDITORS' REPORT ON THE PROFIT FORECASTS FOR THE YEAR 2015

This is a free translation into English of the statutory auditors' report on the profit reforecasts issued in the French language and is provided solely for the convenience of English speaking users.

To the Chairman and Chief Executive Officer,

In our capacity as statutory auditors of your company and in accordance with Commission Regulation (EC) n°809/2004, we hereby report to you on the Ebitda forecasts of Lafarge Group for the year 2015, set out in section 2.1.2 "Outlook and Ebitda forecast for 2015" of the 2014 registration document (*document de référence*).

It is your responsibility to compile the profit forecasts, together with the material assumptions upon which they are based, in accordance with the requirements of Commission Regulation (EC) n°809/2004 and ESMA's recommendations on profit forecasts.

It is our responsibility to express a conclusion, based on our work, in accordance with Annex I, item 13.2 of Commission Regulation (EC) n°809/2004, as to the proper compilation of these forecasts.

We performed the work that we deemed necessary according to the professional guidance issued by the French institute of statutory auditors (*Compagnie nationale des commissaires aux comptes* – CNCC) for this type of engagements. Our work included an assessment of the procedures undertaken by management to compile the profit forecasts as well as the implementation of procedures to ensure that the accounting policies used are consistent with the policies applied by Lafarge for the preparation of the historical financial information. Our work also included gathering information and explanations that we deemed necessary in order to obtain reasonable assurance that the profit forecasts have been properly compiled on the basis stated.

Since profit forecasts, by nature, are uncertain and may differ significantly from actual results, we do not express a conclusion as to whether the actual results reported will correspond to those shown in the profit forecasts.

In our opinion:

- the profit forecasts have been properly compiled on the basis stated; and
- that basis of accounting used for the profit forecasts is consistent with the accounting policies of Lafarge.

This report has been issued solely for the purpose the 2014 registration document (*document de référence)* with the French financial markets authority (*Autorité des marchés financiers* – AMF) and if need be, the admission to trading on a regulated market, and/or a public offer, of shares or debt securities, with a minimum denomination of 100,000 euros, of Lafarge in France and in other European Union member states in which a prospectus, including the registration document, approved by the AMF, is notified, and cannot be used for any other purpose.

Neuilly-sur-Seine and Paris-La Défense, March 6, 2015

The Statutory Auditors

DELOITTE & ASSOCIÉS French original signed by		ERNST & YOUNG et Autres French original signed by	
Arnaud de Planta	Frédéric Gourd	Alain Perroux	Nicolas Macé

2.2 ACCOUNTING POLICIES AND DEFINITIONS

2.2.1 SIGNIFICANT ACCOUNTING POLICIES

See Note 2 (Summary of significant accounting policies) to the consolidated financial statements for more information.

Change of accounting policy for joint ventures

From January 1, 2014, the Group applies IFRS 11 "Joint Arrangements" retrospectively as at January 1, 2013. The adoption of IFRS 11 resulted in the Group changing its accounting policy for its interests in joint arrangements. The Group has conducted a review of all the joint arrangements; based on this review they are qualified as joint ventures. As a result, these joint ventures previously consolidated using the proportionate consolidation method, are now accounted for using the equity method.

See Note 2.1 (Accounting principles) to the consolidated financial statements for more information on the impacts of the adoption of IFRS 11.

Impairment of goodwill

In accordance with IAS 36 – Impairment of Assets, goodwill is tested for impairment, whose purpose is to take into consideration events or changes that could have affected the recoverable amount of these assets, at least annually and quarterly when there are some indications that an impairment loss may have been identified. The annual impairment test is performed during the last quarter of the year, in relation with the budget process. The recoverable amount is defined as the higher of the fair value less costs to sell and the value in use.

For the purposes of the goodwill impairment test, net assets are allocated to Cash Generating Units (CGUs) or groups of CGUs. A CGU is the smallest identifiable group of assets generating cash inflows independently and represents the level used by the Group to organize and present its activities and results in its internal reporting. CGUs generally represent one of the two activities of the Group (Cement or Aggregates and Concrete) in a particular country. When it is not possible to allocate goodwill on a non-arbitrary basis to individual CGUs, goodwill can be allocated to a group of CGUs at a level not higher than the operating segment, as defined in Note 4 (Operating segment information) to the consolidated financial statements.

Impairment tests are carried out in two steps:

- first step: the Group compares the carrying amount of CGUs or groups of CGUs with an Ebitda multiple (the industry-specific multiples used are determined every year on the basis of a sample of companies in our industry). Ebitda is defined as the operating income before capital gains, impairment, restructuring and others, before depreciation and amortization on tangible and intangible assets;
- second step: for CGUs or groups of CGUs presenting an impairment risk according to this first step approach, the Group determines the recoverable amount of the CGU or group of CGUs as its fair value less costs to sell or its value in use.

Fair value is the best estimate of the amount obtainable from the sale in an arm's length transaction between knowledgeable, willing parties. This estimate is based either on market information available, such as market multiple, on discounted expected market cash flows, or any other relevant valuation method.

Value in use is estimated based on discounted cash flows expected over a 10-year period. This period reflects the characteristics of our activities where operating assets have a high lifespan and where technologies evolve very slowly.

If the recoverable amount of the CGU or group of CGUs is less than its carrying value, the Group records an impairment loss, first to reduce the carrying amount of any goodwill allocated to the CGU or group of CGUs, then to reduce the carrying amount of the other assets of the CGU or group of CGUs.

Goodwill impairment losses cannot be reversed.

See Note 10 (Goodwill) to the consolidated financial statements for more information.

Pension plans, termination benefits and other post-employment benefits

Since January 1, 2013, the Group applies the Amendments to IAS 19 – "Employee benefits". Following this adoption, the financial component of the net periodic pension cost is presented in the line "Financial expense" of the consolidated statement of income.

Accounting rules for pension plans, termination benefits and other post-employment benefits require us to make certain assumptions that have a significant impact on the related expenses and liabilities recorded.

The United Kingdom and North America (the United States and Canada) represent as of December 31, 2014, 60% and 30%, respectively, of the Group's total obligations in respect of pension plans, termination benefits and other post-employment benefits.

Pension and other post-employment benefit obligations are impacted by the end-2014 discount rates, which reflect the rate of long-term high-grade corporate bonds. An increase of the discount rate assumption by 0.5 percentage point at December 31, 2014 would have led to a decrease in the valuation of the obligations of the main benefit plans located in the United Kingdom and North America by approximately 388 million euros.

See Note 23 (Pension plans, end of service benefits and other post-employment benefits) to the consolidated financial statements for more information on the primary assumptions made to account for pension plans, termination benefits and other post-employment benefits.

Provision for environmental risks

Costs incurred to mitigate or prevent future environmental contamination and costs incurred that result in future economic benefits, such as extending useful lives, increasing capacity or safety, are capitalized. When the Group determines that a legal or constructive obligation exists and that its resolution will result in an outflow of resources, an estimate of the future remediation cost is recorded as a provision without contingent insurance recoveries being offset (only quasi-certain insurance recoveries are recognized as an asset). When the Group does not have a reliable reversal time schedule or when the effect of the passage of time is not significant, the provision is calculated based on undiscounted costs.

Other environmental costs are expensed as incurred.

See Note 24 (Provisions) to the consolidated financial statements for more information.

Provision for site restoration

Where the Group is legally, contractually or implicitly required to restore a quarry site, the estimated costs of site restoration are accrued and recognized under cost of sales on the basis of production levels and depletion rates for the quarry. The estimated future costs for known restoration requirements are determined on a site-by-site basis and are calculated based on the present value of estimated future costs.

See Note 24 (Provisions) to the consolidated financial statements for more information.

Income tax

In accordance with IAS 12 – Income tax, deferred taxes are accounted for by applying the liability method to temporary differences between the tax basis of assets and liabilities and their carrying amounts (including tax loss and capital loss available for carry forward). A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available on which these tax advantage will be used.

The Group offsets deferred tax assets and liabilities if the entity has a legally enforceable right to offset current tax assets against current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxing authority.

The Group calculates the income tax expense in accordance with the prevailing tax legislation in the countries where the income is earned.

See Note 22 (Income tax) to the consolidated financial statements for more information.

2.2.2 EFFECTS ON REPORTED RESULTS OF CHANGES IN THE SCOPE OF OPERATIONS AND CURRENCY FLUCTUATIONS

Changes in the scope of our operations, such as acquisitions and divestitures, changes in consolidation method for an entity, such as a change from equity method to full consolidation, or changes in exchange rates used for the conversion of accounts of foreign subsidiaries to euro, may increase or decrease our consolidated sales, Ebitda and operating income before capital gains, impairment, restructuring and other in comparison to a prior year and thus make it difficult to determine trends in the underlying performance of our operations.

Changes in the scope of our operations

In order to provide a meaningful analysis between any two years (referred to below as the "current" year and the "prior" year), sales, Ebitda and operating income before capital gains, impairment, restructuring and other are adjusted to compare the two years at constant scope. With respect to businesses entering the scope of consolidation at any time during the two years under comparison, current year sales, Ebitda and operating income before capital gains, impairment, restructuring and other are adjusted to take into account the contribution made by these businesses during the current year only for a period of time identical to the period of their consolidation in the prior year. With respect to businesses leaving the scope of consolidation at any time during the two years under comparison, prior-year sales, Ebitda and operating income before capital gains, impairment, restructuring and other are adjusted to take into account the contribution of these businesses during the prior year only for a period of time identical to the period of their consolidation in the current year.

Currency fluctuations

Similarly, as a global business operating in numerous currencies, changes in exchange rates against our reporting currency, the euro, may result in an increase or a decrease in the sales, Ebitda and operating income before capital gains, impairment, restructuring and other reported in euros not linked to trends in underlying performance. Unless stated otherwise, the impact of currency fluctuations is calculated as the difference between the prior year's figures as reported (adjusted if necessary for the effects of businesses leaving the scope of consolidation) and the result of translating the prior year's figures (adjusted if necessary for the effects of businesses leaving the scope of consolidation) using the current year's exchange rates.

2.2.3 DEFINITION OF OPERATING INCOME BEFORE CAPITAL GAINS, IMPAIRMENT, RESTRUCTURING AND OTHER

The Group has included the "Operating income before capital gains, impairment, restructuring and other" sub-total (which is commonly referred to as "current operating income" hereinafter) in the consolidated statement of income. This measure excludes aspects of our operating performance that are by nature unpredictable in their amount and/or in their frequency, such as capital gains, asset impairment charges and restructuring costs. While these amounts may have been incurred in recent years and may recur in the future, historical amounts may not be indicative of the nature or amount of these charges, if any, in future periods. The Group believes that the "Operating income before capital gains, impairment, restructuring and other" sub-total in the income statement allows to better identify the current operating performance and provides excluded from measure the users of financial statements with useful information for a forward-looking approach to the results.

In addition, operating income before capital gains, impairment, restructuring and other is a major component of the Group's key profitability measure, "return on capital employed"[1] (Roce).

The Group's sub-total shown under operating income may not be comparable to similarly titled measures used by other groups. Furthermore, this measure should not be considered as an alternative to operating income as the effects of capital gains, impairment, restructuring and other amounts ultimately affect our operating performance and cash flows. Accordingly, the Group also presents "operating income" on the consolidated statement of income, which encompasses all the amounts affecting the Group's operating performance and cash flows.

2.2.4 RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Net debt and cash flow from operations

To assess the Group's financial strength, various indicators, in particular the net debt-to-equity ratio and the cash flow from operations to net debt ratio are used. These ratios are useful to investors as they provide a view of the Group-wide level of debt in comparison with its total equity and its cash flow from operations.

See Section 2.4.3 (Level of debt and financial ratios) for the value of these ratios in 2014 and 2013.

As shown in the table below, the net debt is defined as the sum of long-term debt, short-term debt (including current portion of long-term debt), non current and current derivative instruments liabilities less cash and cash equivalents, current and non current derivative instruments assets.

(1) *Or committed.*

(million euros)	2014	2013(1)
Long-term debt	9,371	10,580
Short-term debt (including current portion of long-term debt)	2,045	2,398
Non current derivative instrument liabilities	2	1
Current derivative instruments liabilities	26	14
Cash and cash equivalents	(1,961)	(3,111)
Non current derivative instrument assets	(50)	(12)
Current derivative instrument assets	(123)	(24)
NET DEBT	**9,310**	**9,846**

(1) *Figures have been adjusted following the application of IFRS 11 (See Note 2.1 to the consolidated financial statements).*

The **net debt-to-equity ratio** is calculated by dividing the amount of the net debt, as computed above, by the total equity as shown on the consolidated statement of financial position.

The cash flow from continuing operations to net debt ratio is calculated by dividing cash flow from continuing operations by the net debt as computed above. Cash flow from continuing operations (after interest and income tax paid) is the net cash provided by operating activities from operations, before changes in operating working capital items, before financial expenses and income taxes, see table below:

(million euros)	2014	2013(1)
Net operating cash generated by continuing operations	948	1,105
Changes in operating working capital items, excluding income tax and financial expenses	92	56
CASH FLOW FROM CONTINUING OPERATIONS	**1,040**	**1,161**

(1) *Figures have been adjusted following the application of IFRS 11 (See Note 2.1 to the consolidated financial statements).*

Free cash flow

Free cash flow corresponds to net operating cash flows generated by operations less sustaining capital expenditures.

Ebitda

Ebitda is defined as the current operating income before depreciation and amortization on tangible and intangible assets. The Ebitda margin is calculated as the ratio of Ebitda to revenue.

Return on capital employed (Roce)

One of the key profitability measures used by Lafarge is the "return on capital employed"(1). This non-GAAP measure is calculated by dividing the sum of "Operating income before capital gains, impairment, restructuring and other" and Group share of net income (loss) of joint ventures and associates by the average of "capital employed" at the end of the current and prior year. This measure is used by Lafarge internally to manage and assess the results of its operations and those of its operating segments, make decisions with respect to investments and resource allocations and assess the performance of the management. However, because this measure has limitations, Lafarge restricts the use of this measure to these purposes only.

See Note 4 (Operating segment information) to the consolidated financial statements for more information on current operating income and capital employed by operating segment.

Return on capital employed before tax was 7.2% in 2014 vs 6.9%(2) in 2013.

(1) *Before tax.*

(2) *Restated following the application of IFRS 11.*

2.3 RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

When we analyze volumes and sales trends per country, and unless specified, we comment on the domestic volumes and sales both originating and completed within the relevant geographic market, and thus exclude export sales and volumes.

Demand for cement and aggregates and concrete products is seasonal and tends to be lower in the winter months in temperate countries and in the rainy season in tropical countries. Lafarge usually experiences a reduction in sales on a consolidated basis in the first quarter during the winter season in its principal markets in Western Europe and North America, and an increase in sales in the second and third quarters, reflecting the summer construction season.

CONSOLIDATED SALES AND EBITDA

SALES BY GEOGRAPHICAL AREA AND ACTIVITY

(million euros)	12 months		Variation	Scope variation effect	Foreign exchange effect	Impact of one-off items[(1)]	Variation like-for-like[(1)]
	2014	2013					
BY GEOGRAPHICAL AREA							
North America	3,008	3,064	-2%	-1%	-5%	-	4%
Western Europe	2,109	2,208	-4%	-	-	-	-4%
Central and Eastern Europe	1,067	1,145	-7%	-5%	-6%	-	4%
Middle East and Africa	3,711	3,632	2%	-	-3%	-1%	6%
Latin America	712	869	-18%	-14%	-7%	-	3%
Asia	2,236	2,173	3%	-	-3%	-	6%
BY ACTIVITY							
Cement	8,545	8,645	-1%	-2%	-3%	-1%	5%
Aggregates and Concrete	4,253	4,397	-3%	-	-4%	-	1%
Holding and others	45	49					
TOTAL	**12,843**	**13,091**	**-2%**	**-2%**	**-3%**	**-**	**3%**

(1) *At constant scope and exchange rates, and excluding the impact of the drop in volumes in Iraq in the second half of 2014 in the current context.*

Consolidated sales, at 12,843 million euros in 2014 were down 2% versus last year.

Currency impacts were unfavorable (-3% on sales, or -412 million euros), mainly due to the appreciation of the euro versus the Canadian dollar, the South African rand, the Brazilian real, the Russian rouble and various currencies in Asia. The negative trend of the impact of exchange rates in the first three quarters of 2014 reversed in the fourth quarter as sales were positively impacted by a 2% exchange rates effect in the quarter (76 million euros). Net changes in the scope of consolidation had a negative impact on 2014 sales of -2% (or -212 million euros), mostly reflecting the divestment of our Honduran and Ukrainian cement operations, the deconsolidation of our Mexican operations, following the creation of a joint venture with Elementia, and the disposal of some aggregates assets in the United States.

On a comparable basis, consolidated sales were up 3% for the full year 2014, with the combination of higher volumes and increased prices across all of our product lines to address cost inflation. Cement prices were up 1.6% compared to 2013.

EBITDA BY GEOGRAPHICAL AREA AND ACTIVITY

(million euros)	12 months 2014	12 months 2013	Variation	Scope variation effect	Foreign exchange effect	Impact of one-off items[(1)]	Variation like-for-like[(1)]
BY GEOGRAPHICAL AREA							
North America	578	552	5%	-3%	-6%	-5%	19%
Western Europe	291	264	10%	-1%	-	7%	4%
Central and Eastern Europe	226	201	12%	-3%	-2%	2%	15%
Middle East and Africa	1,043	1,032	1%	-	-3%	-4%	8%
Latin America	150	240	-37%	-22%	-5%	-	-10%
Asia	433	505	-14%	-	-3%	-	-11%
BY ACTIVITY							
Cement	2,380	2,438	-2%	-3%	-3%	-1%	5%
Aggregates and Concrete	394	411	-4%	-2%	-5%	-2%	5%
Holding and others	(53)	(55)					
TOTAL	**2,721**	**2,794**	**-3%**	**-3%**	**-4%**	**-1%**	**5%**

(1) *At constant scope and exchange rates, and excluding a 20 million euros one-off gain recorded in the first quarter 2013 in North America, carbon credit sales (37 million euros in 2014 and 14 million euros in 2013) and the impact of the loss of volumes in Iraq in the second half of 2014 on account of the current situation (-36 million euros).*

2014 full year Ebitda was also negatively impacted by exchange rates (-4%, or -92 million euros) and changes in scope (-3% or -85 million euros).

Ebitda was up 5% for the year, excluding scope, exchange rates, sales of carbon credits and a 20 million euros exceptional gain recorded in North America in the first quarter 2013, and the effect of the loss of cement volumes in Iraq in the second half of the year (-36 million euros). Carbon credit sales amounted to 37 million euros in 2014 versus 14 million euros in 2013. On a like-for-like basis, Ebitda margin was up 40 basis points in the full year, thanks to the contribution of our self-help measures, positive trends in the United States and most markets in Middle East and Africa which more than offset the impact of lower volumes in Europe and Brazil. Our internal measures to reduce costs and promote innovation generated a total additional Ebitda[(1)] of 600 million euros in 2014, with 370 million euros from cost-savings and 230 million euros from innovation.

VOLUMES, SALES, EBITDA AND CURRENT OPERATING INCOME BY GEOGRAPHICAL AREA

NORTH AMERICA - VOLUME GROWTH IN THE UNITED STATES AND PRICING GAINS

	12 months 2014	12 months 2013	Variation	Variation like-for-like[(1)]
Volumes				
- Cement (million tonnes)	11.7	11.3	4%	4%
- Pure aggregates (million tonnes)	85.5	90.5	-6%	-2%
- Ready-mix concrete (million cubic meters)	5.5	5.6	-3%	-5%
Sales (million euros)	3,008	3,064	-2%	4%
Ebitda (million euros)	578	552	5%	19%
Ebitda Margin (% of sales)	19.2%	18.0%	120bps	250bps
COI (million euros)	441	398	11%	28%

(1) *Variations like-for-like are calculated at constant scope and exchange rates, and excluding the 20 million euros one-off gain recorded in North America in the first quarter 2013.*

(1) *Total Ebitda figures before application of IFRS 11 on joint ventures. After application of IFRS 11, these measures generated 505 million euros in 2014 (310 million euros for cost savings and 195 million euros for innovation) and 140 million euros in the fourth quarter of 2014.*

Market trends were solid in the region in 2014, on the back of improved trends in the residential sector in the United States and the well-oriented economy in Western Canada.

Sales decreased 2% versus 2013, strongly impacted by the adverse effect of foreign exchange variations. The depreciation of the Canadian dollar and the US dollar against the euro had a negative impact of 5% on sales, while the effect of the divestment of some aggregates assets reduced sales by 1%.

At constant scope and exchange rates, sales were up 4% compared to last year, with price gains across all product lines and higher cement volumes.

- **In the United States,** our sales grew 10% versus 2013, supported by a residential sector positively oriented throughout the year; housing starts exceeded 1,000,000 units in 2014. Cement volumes sold and aggregates volumes sold increased 6% and 4% respectively, compared with 2013 and at constant scope. Ready-mix sales volumes dropped 8% compared with 2013, with a lower number of projects.
- **In Canada,** sales were slightly up versus 2013, impacted by a late start to the construction season after a particularly harsh winter. At constant scope, cement volumes sold rose 2% compared to 2013. Aggregates and ready-mix sales volumes sold decreased 3% and 4% versus 2013, respectively, reflecting the phasing of some large projects completed in 2013 in Western Provinces, while our aggregates business benefited from a positive growth in Ontario with several infrastructure and civil engineering projects. The fourth quarter experienced improved trends, with cement volumes up 7% both in the West and the East and a strong progression of our aggregates business.

At constant scope and exchange rates, and excluding a one-off gain of 20 million euros on pensions recorded in the first quarter 2013, Ebitda rose solidly versus last year, supported by a robust improvement of our earnings in the Cement and Aggregates businesses both in Canada and the United States and cost saving and innovation measures successfully implemented in all product lines.

WESTERN EUROPE - FORCEFUL COST-CUTTING INITIATIVES MITIGATING LOWER VOLUMES IN FRANCE

	12 months			
	2014	2013	Variation	Variation like-for-like[(1)]
Volumes				
- Cement (million tonnes)	11.8	12.0	-2%	-2%
- Pure aggregates (million tonnes)	33.0	34.4	-4%	-3%
- Ready-mix concrete (million cubic meters)	7.3	7.7	-6%	-6%
Sales (million euros)	2,109	2,208	-4%	-4%
Ebitda (million euros)	291	264	10%	4%
Ebitda Margin (% of sales)	13.8%	12.0%	180bps	100bps
COI (million euros)	104	81	28%	13%

(1) *At constant scope and exchange rates, and excluding carbon credit sales (29 million euros recorded in 2014, versus 11 million euros in 2013).*

Sales decreased 4% for the year reflecting lower volumes in France, while the situation stabilized or improved in the other countries of this region. Exports from Spain and Greece continued to be developed in order to optimize kiln utilization. The impact of changes in scope and exchange rates was negligible.

- **In France,** construction activity was soft overall. In the residential sector, housing starts were still down in 2014, just below 300,000 units, with some gradual improvements expected in the course of 2015. The infrastructure segment compared with a challenging second half 2013, helped by a higher number of projects launched ahead of local elections. Compared with 2013, our Cement, Aggregates and Ready-mix volumes contracted by 6%, 4% and 7%, respectively.
- **In Spain,** some signs of economic recovery can be seen, and the construction sector has stabilized, with some improvements noticed in the fourth quarter. Currently, demand is mostly driven by the infrastructure segment that represents more than half of the country's total cement demand. Cement volumes were flat versus last year.
- The construction activity **in Greece** also showed signs of improvement. Cement volumes rose 5% compared to 2013, while our Aggregates and Concrete businesses experienced double-digit growth versus last year, reflecting several large infrastructure projects launched in early 2014.

On a comparable basis, Ebitda increased 4% and Ebitda margin rose 100 bps versus 2013, supported by significant cost-cutting measures compensating for lower sales.

CENTRAL AND EASTERN EUROPE - EBITDA MARGIN IMPROVEMENT DRIVEN BY PERFORMANCE AND INNOVATION INITIATIVES

	12 months			
	2014	2013	Variation	Variation like-for-like(1)
Volumes				
- Cement (million tonnes)	12.1	12.5	-3%	2%
- Pure aggregates (million tonnes)	21.7	20.7	6%	-1%
- Ready-mix concrete (million cubic meters)	2.0	1.6	21%	21%
Sales (million euros)	1,067	1,145	-7%	4%
Ebitda (million euros)	226	201	12%	15%
Ebitda Margin (% of sales)	21.2%	17.6%	360bps	200bps
COI (million euros)	135	112	21%	20%

(1) *At constant scope and exchange rates, and excluding carbon credit sales (8 million euros recorded in 2014, versus 3 million euros in 2013).*

Sales dropped versus 2013, impacted by the depreciation of the Russian rouble and the effect of the divestment of our Ukrainian cement assets completed at the end of the third quarter 2013.

At constant scope and exchange rates, sales were up 4% compared to 2013 and stabilized in the fourth quarter. Cement and Aggregates product lines were supported by a strong first half, while the Ready-mix business benefited from several projects throughout the year.

- **In Poland,** sales were up 4% overall versus 2013. After a first half marked by a strong level of construction activity, the rest of the year was more subdued, as the first EU infrastructure plan ended, while the effect of the new plan is expected to be more visible from the second half of 2015. Cement volumes were stable versus 2013, while our Aggregates and Ready-mix concrete businesses were supported by several large projects.
- **In Romania,** cement volumes improved 2%, with a strong rebound from the residential segment compensating for a contraction of infrastructure works.
- **In Russia,** the overall cement market consumption slightly improved compared to last year. Our Cement volumes increased 9% versus 2013, reflecting the progressive ramp-up of our new plant of 2 million tonnes capacity, located in the south of the Moscow region, which started production in April, and despite a slowdown of the construction market in the fourth quarter.

Like-for-like Ebitda and Ebitda margins significantly improved versus last year, with a positive contribution from all the countries of this region. This robust performance was underpinned by cost containment and a strong focus on innovation in a weak-volume environment, and was achieved despite a 2 million euros adverse destocking impact in the fourth quarter in Aggregates.

MIDDLE EAST AND AFRICA - ROBUST PERFORMANCE DESPITE SOME CHALLENGING SITUATIONS IN THE SECOND PART OF THE YEAR

	12 months			
	2014	2013	Variation	Variation like-for-like(1)
Volumes				
- Cement (million tonnes)	41.6	40.2	4%	4%(2)
- Pure aggregates (million tonnes)	9.7	8.5	14%	14%
- Ready-mix concrete (million cubic meters)	5.5	5.2	7%	4%
Sales (million euros)	3,711	3,632	2%	6%
Ebitda (million euros)	1,043	1,032	1%	8%
Ebitda Margin (% of sales)	28.1%	28.4%	-30bps	40bps
COI (million euros)	778	762	2%	10%

(1) *At constant scope and exchange rates, and excluding the impact of 36 million euros linked to the loss of volumes in Iraq in the second semester 2014 on account of the current situation. Restating for this impact. The variation like-for-like are domestic cement volumes: 1%, sales: 5%, Ebitda: 4%.*

(2) *Domestic only.*

The performance of the region was robust in 2014 despite several adverse events, demonstrating the strength of our asset portfolio.

The region was impacted by the depreciation of certain currencies, although the impact progressively reversed and was favorable in the fourth quarter. At constant scope and exchange rates, sales rose 5% and Ebitda 4% versus last year, with a positive contribution of most markets more than offsetting the impact of lower volumes in Iraq due to transportation limitations restricting the shipping of cement in certain parts of the country from June.

Excluding this impact, sales were up 6% like-for-like versus last year. They were slightly down in the fourth quarter, due to lower production levels in South Africa and the suspension of our operations in Syria from mid-September 2014.

- **In Nigeria,** our cement volumes increased 4% versus 2013, while prices were positively oriented in response to cost inflation. Underlying market trends are strong, but cement consumption growth was overall limited by production levels in the country in the first half, and by wet weather and some slowdown in infrastructure projects ahead of 2015 general elections in the second half of the year. Year-end prices reflect the pricing gains achieved in the year in response to cost inflation, after a temporary drop in the fourth quarter.
- **In Algeria,** cement sales rose 8% compared to 2013, reflecting the significant cement needs in this country and the continuous focus put on innovative products. We continued to develop our Ready-mix activities in the country to expand our customer offer.
- **In Egypt,** the underlying market trends are positive and further strengthened by recent announcements of infrastructure projects, but national cement production levels continue to be impacted by energy shortages. Cement volumes improved 17% compared to 2013, supported by our measures to diversify the fuel mix, while prices rose in a context of increased costs and cement shortage in the country. The clinker production in December was not only the highest of 2014, but the highest in the past two years. The context with a cost increase and a cement shortage have favored a cement price increase.
- **In Iraq,** cement volumes decreased 17% compared to 2013. Indeed, the solid growth experienced in the first five months of the year was offset by significant drop in volumes from June, due to the reduced ability to transport cement across the country. Price levels were lower than last year, reflecting 2013 price adjustments linked to Iranian imports and a price drop in the north of the country from June 2014.
- **In Kenya,** the construction activity was positively oriented. Our cement volumes were up 2% versus 2013, while average prices were lower than last year.
- **In Syria,** cement sales were limited, impacted by the current situation and the suspension of our operations from mid-September 2014 for security reasons.
- **In South Africa,** our cement volumes dropped 10% compared with last year, under the combined effect of national strikes and the May general elections, the start-up of a new competitor's plant and some temporary production limitations. Our Aggregates volumes benefited from double-digit growth, bolstered by several road projects.

At constant scope and exchange rates, and excluding the impact of the drop in volumes in Iraq, Ebitda margin rose 40 bps versus 2013, supported by successful cost savings and innovation measures, and reflecting solid earnings increases in Nigeria, East Africa and Algeria.

LATIN AMERICA - SUBDUED MARKET AND STRONG INFLATION ENVIRONMENT

	12 months			
	2014	2013	Variation	Variation like-for-like
Volumes				
- Cement (million tonnes)	7.3	8.8	-18%	-2%
- Pure aggregates (million tonnes)	3.0	2.8	9%	2%
- Ready-mix concrete (million cubic meters)	1.4	1.2	16%	16%
Sales (million euros)	712	869	-18%	3%
Ebitda (million euros)	150	240	-37%	-10%
Ebitda Margin (% of sales)	21.1%	27.6%	-650bps	-310bps
COI (million euros)	119	202	-41%	-14%

Sales, operational earnings and margins were significantly impacted by the depreciation of the Brazilian real and the divestments achieved over the last two years (disposal of our Honduran activity completed at the end of November 2013 and deconsolidation of our Mexican operations after the creation of a joint venture with Elementia in July 2013 and divestment of our Ecuadorian cement operations in November 2014).

At constant scope and exchange rates, sales grew 3% versus 2013 driven by pricing gains in response to cost inflation.

- **In Brazil,** cement volumes contracted 2% versus 2013, with a deceleration of market demand after the soccer World Cup and ahead of the October general elections. Pricing gains were achieved in response to significant cost inflation.

- **In Ecuador,** the construction market decreased slightly due to infrastructure project delays. Some signs of improvement of the construction sector were perceived in September after six months of contraction, thanks to the reactivation of several large hydroelectric projects. We announced the divestment of our assets in Ecuador in May 2014, and this operation was completed in November 2014.

Like-for-like Ebitda dropped 10% compared to last year, under the combined effect of lower volumes, sustained cost inflation and one-time adverse elements notably impacting the fourth quarter.

ASIA - HIGHER SALES MITIGATED SIGNIFICANT COST INFLATION

	12 months			
	2014	2013	Variation	Variation like-for-like
Volumes				
- Cement (million tonnes)	31.9	29.6	8%	8%
- Pure aggregates (million tonnes)	8.5	8.2	3%	-3%
- Ready-mix concrete (million cubic meters)	4.7	5.4	-12%	-12%
Sales (million euros)	2,236	2,173	3%	6%
Ebitda (million euros)	433	505	-14%	-11%
Ebitda Margin (% of sales)	19.4%	23.2%	-380bps	-370bps
COI (million euros)	304	382	-20%	-17%

The region was strongly impacted by the adverse effects of exchange rate movements, notably the depreciation of the Indian rupee during summer 2013. These effects partly reversed in the second part of the year, with the appreciation of certain currencies against the euro.

At constant scope and exchange rates, sales were up 6% versus last year, mainly driven by the ramp-up of our new plant in India and the strong level of construction activity in the Philippines.

- **In India,** the construction market began to regain momentum after the general elections and the monsoon season. Our cement volumes increased strongly, supported by our 2.6 million tonnes new plant in Rajasthan, which started operations in the third quarter of 2013. Prices were lower than last year.
- **In Malaysia,** Cement volumes sold slightly contracted slightly versus last year. The construction market was positively oriented, but our production levels were limited at one of our plants. Cement prices were impacted by the start-up of new capacity in a context of significant cost inflation. Our Ready-mix concrete sales were down versus last year after the completion of certain large projects, notably the construction of a new terminal in the international airport of Kuala Lumpur.
- **In the Philippines,** the construction market benefited from solid trends. Our cement volumes rose 8% versus 2013 and experienced double-digit growth in the second half of the year.
- **In South Korea,** construction activity was slightly below the level of last year, and our cement sales volumes decreased 4% compared to 2013.
- **In Indonesia,** the growth in the demand for cement was subdued in 2014, due to the elections organized in the first half of the year. Our cement sales rose 5%, driven by pricing gains in response to cost inflation.

Despite solid cost reductions, Ebitda decreased versus last year, impacted by overall high cost inflation within the region, notably higher energy costs, production limitations and an adverse impact of purchases of clinker. Additionally, our new plant in India was in a ramp-up phase for most of the year, with a significant contribution to the volume increase, but with a limited generation of Ebitda; its utilization rate is now at full speed, and its Ebitda contribution should improve in 2015.

CONSOLIDATED OPERATING INCOME AND CONSOLIDATED NET INCOME

The table below shows our operating income and net income for the period ended December 31, 2014 and 2013:

	12 months		
(million euros)	2014	2013	Variation %
EBITDA	**2,721**	**2,794**	**-3%**
Depreciation	(840)	(857)	-2%
Current Operating Income	**1,881**	**1,937**	**-3%**
Net gains on disposals	292	291	
Other operating income (expenses)	(713)	(295)	
OPERATING INCOME	**1,460**	**1,933**	**nm**
Net financial (costs) income	(870)	(984)	-12%
Share of net income (loss) of joint ventures and associates	69	-	
INCOME BEFORE INCOME TAX	**659**	**949**	**nm**
Income tax	(385)	(242)	nm
NET INCOME FROM CONTINUING OPERATIONS	**274**	**707**	
Net income from discontinued operations	-	46	
NET INCOME	**274**	**753**	**nm**
of which part attributable to:			
Owners of the parent company	**143**	**601**	**nm**
Non-controlling interests	131	152	-14%
ADJUSTED NET INCOME, GROUP SHARE(1)	**423**	**384**	**10%**

(1) *Adjusted for non-recurring items, net of tax: merger-related costs, gains and losses on divestments (including the gain on the divestment of our Gypsum operations in the United States, presented in the 2013 net income from discontinued operations), non-cash impairments, and one-time effects on the deferred tax positions to reflect the newly applicable tax rates, notably in Algeria and Spain.*

Depreciation decreased to 840 million euros in 2014 from 857 million euros in 2013, reflecting the combined effect of the variations in foreign currency rates and the impact of divestments achieved in 2013 and early 2014, partly offset by the depreciation of the new plants in Russia and India.

Net gains on disposals amounted to 292 million euros for the year versus 291 million euros in 2013 and mainly comprise the gain on the disposal of our Ecuadorian cement assets and on the divestment of a cement plant in Russia (Korkino plant).

Other operating expenses amounted to 713 million euros for the year versus 295 million euros in 2013. In 2014, 385 million euros of impairments were recorded in the fourth quarter 2014, notably to reflect the current situation in Syria and the revision of the discount rate used for Iraq. Additionally, the Group recorded 80 million euros of restructuring charges, and 126 million euros of costs linked to the merger project Lafarge Holcim, including costs related to divestment projects.

Operating income was significantly impacted by non-cash impairment charges recorded in the fourth quarter 2014 and merger-related costs.

Net financial costs, comprised of financial expenses on net debt, foreign exchange, and other financial income and expenses, were strongly reduced, at 870 million euros versus 984 million euros in 2013.

The financial expenses on net debt, at 736 million euros, were reduced versus 2013, driven by the repayment of two bonds at end of May and mid-July 2014 for a total amount of 1.6 billion euros, using divestment proceeds and a lower-rate 750 million euros bond issued at end of September 2013. The average interest rate on our gross debt was 6.3% in 2014, almost stable versus last year.

Foreign exchange resulted in a gain of 28 million euros in 2014 compared with a loss of 51 million euros in 2013.

Other financial costs were 162 million euros in 2014 versus 154 million euros in 2013. They mainly comprise bank commissions, the amortization of debt issuance costs and the net interest costs related to pensions.

The contribution from our joint ventures and associates represented a net gain of 69 million euros in 2014, versus 0 million euros in 2013, primarily reflecting the rebound of our results in the United Kingdom, where synergies are ramping up and the market is recovering.

Income tax was impacted by several one-off impacts, notably the non-deductibility of impairments, and the one-off effect on the deferred tax positions to reflect the newly applicable tax rates, notably in Algeria and Spain. Additionally, as the income before tax was lower than in 2013, it mechanically increases the weight of the structural effects considered to calculate the effective tax rate.

Net income Group share[(1)], at 143 million euros for 2014 was affected by one-off items, including:

– a total 385 million euros impairment of assets, notably related the current situation in Syria and due to a revision of the discount rate used for Iraq impairment testing;

– 292 million euros of gains and losses on divestments;

– merger-related costs (126 million euros total pre-tax costs; cash impact of 90 million euros net of tax); and

– 49 million euros of adverse one-off effects on the deferred tax positions to reflect the newly applicable tax rates in certain countries, notably in Algeria and Spain.

Excluding the impact of these non-recurring items net of tax, adjusted net income Group share, at 423 million euros versus 384 million euros in 2013, grew 10% for the year under the combined effect of organic growth, a higher contribution from the joint ventures, notably in the United Kingdom, and lower financial expenses, which more than offset the adverse impact of scope and foreign exchange rates.

Non-controlling interests, at 131 million euros, dropped 14% versus last year, as the effect of higher earnings in several countries in Middle East and Africa was more than offset by the combined impact of the sales limitations in Iraq experienced since June 2014, the effect of the deconsolidation of Honduras and a lower contribution from Asian companies due to cost inflation.

(1) *Net income/loss attributable to the owners of the parent company.*

2.4 LIQUIDITY AND CAPITAL RESOURCES

2.4.1 GROUP FUNDING POLICIES

The Group financial policies are defined by the Group Executive Committee. They aim to ensure a strong financial structure and the Group's ability to meet its commitments. These policies deal in particular with the targeted Group financial structure and financial ratios, the average maturity of the Group debt, the Group exposure to interest rates and the level of committed credit facilities. These elements are monitored on a regular basis. In accordance with these policies, an important part of the indebtedness is medium and long term. Committed and unused medium term credit lines are permanently maintained.

Lafarge is subject to foreign exchange risks as a result of either its ownership of companies which operate in geographies where the functional currency is different from the ultimate Group functional currency (the euro), or as a result of transactions being conducted by the Group companies in a currency which is different from their functionnal currency.

The Group policy is for Group companies to borrow, to the extent possible, in the same currency as that of their cash flows.

However, for companies that have excess cash balances in emerging market currencies, the Group policy is to make sure, to the extent possible, that these excess cash balances are translated into either US dollars or euros to protect these assets against any possible devaluation.

Regarding foreign exchange risks linked to Group transactions, the Group policy is, as much as possible and as early as possible, to hedge these risks by using mostly forward sales or purchases of currencies.

2.4.2 CASH FLOWS

During the periods presented, the main sources of liquidity were:

- cash provided by operating activities;
- cash provided by the divestment of assets;
- cash provided by the issuance of bonds and commercial paper, share capital, bank loans and the drawdown of short and medium term credit lines.

COMPONENTS OF CASH FLOW

(million euros)	2014	2013[1]
CASH FLOW FROM CONTINUING OPERATIONS	**1,040**	**1,161**
Changes in operating working capital items excluding financial expenses and income taxes	(92)	(56)
Net operating cash generated/(used) by continuing operations	948	1,105
Net operating cash generated/(used) by discontinued operations	-	1
Net operating cash provided/(used) by operations	**948**	**1,106**
Net cash provided by/(used in) investing activities from continuing operations	35	105
Net cash provided by/(used in) investing activities from discontinued operations	-	(2)
Net cash provided by/(used in) investing activities	**35**	**103**
Net cash provided by/(used in) financing activities from continuing operations	(2,396)	(460)
Net cash provided by/(used in) financing activities from discontinued operations	-	-
Net cash provided by/(used in) financing activities	**(2,396)**	**(460)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,413)**	**749**

(1) *Figures have been restated further to the application of IFRS 11 (see Note 2.1 to the consolidated financial statements).*

a) Net cash provided by operating activities

Net operating cash generated by continuing operations was 948 million euros in 2014 (versus 1,105 million euros in 2013).

Net operating cash generated by continuing operations decreased 157 million euros, primarily reflecting the Lafarge Holcim merger-related costs paid over the period and the adverse evolution of foreign exchange rates on Ebitda. Working capital requirements were maintained at a low level thanks to our actions to optimize the strict working capital requirements[(1)]. When expressed as a number of days of sales, our strict working capital requirement remained stable compared to the optimized level at year-end 2013.

See Section 2.2.4 (Reconciliation of non-GAAP financial measures) for more information on cash flow from operations.

b) Net cash provided by investing activities

Net cash provided by investing activities from continuing operations was 35 million euros (compared with 105 million euros of net cash used in 2013).

Sustaining capital expenditures were stable, representing 356 million euros in 2014.

Capital expenditures for productivity projects and for the building of new capacity were limited to 487 million euros compared to 594 million euros in 2013, as part of our strict capex management. They mostly comprise investments to finalize our plant in Kaluga (Russia) which produced its first cement in April 2014 and investments on our projects in North America (Exshaw – Canada and Ravena – United States) as well as range of debottlenecking projects, notably in sub-Saharan Africa. Acquisitions were 182 million euros and primarily consist of investments to reinforce our industrial network in France.

The divestment operations have reduced the Group's financial net debt by 1.15 billion euros in 2014 (1.25 billion euros in 2013). They mainly reflect the disposal of the Group's operations in Ecuador, the divestment of our Korkino plant in the Urals (Russia), some Aggregates quarries in Maryland and New Mexico (United States), the stake in the joint venture with Elementia in Mexico and the remaining 20% stake in Siniat (Gypsum activities in Europe and Latin America).

See Section 1.2.6 (Recent acquisitions, partnerships and divestitures) for more information.

c) Net cash used in financing activities

At December 31, 2014, total net debt amounted to 9,310 million euros (9,846 million euros at the end of December 2013).

Net debt was reduced to 9,310 million euros, as the Group pursued its actions to further strengthen its financial structure. Since the beginning of 2014, the Group secured 1.4 billion euros of divestments. 1.15 billion euros of cash was received in 2014 and the balance of 0.2 billion euros will further contribute to debt reduction in 2015 (divestment of operations in Pakistan).

See Note 25 (Financial Debt) to the consolidated financial statements for more information on our financing.

LONG AND MEDIUM TERM DEBT

Most of Lafarge's medium and long-term financing needs are met through bond issuances, in particular by using Euro Medium Term Notes (EMTN) program and also through bank borrowings. Under the EMTN program, Lafarge has a maximum available amount of 12,000 million euros of which 8,090 million euros was used at December 31, 2014.

Long and medium-term debt securities issuances in 2014 and 2013

During 2014 and 2013, the principal financing transactions were the following:

Under the EMTN Program

- on September 30, 2013, issue of a 750 million euros bond, bearing a fixed interest rate of 4.75% with a 7-year maturity.

Lafarge S.A. has not issued any bond or other related security in 2014 under the EMTN program.

Requiring specific documentation other than the EMTN Program

Lafarge S.A has not issued any bond or other related security requiring specific documentation other than the EMTN program in 2014 and 2013.

Bank loans

- on January 13, 2015 and December 19, 2014, signature of two separate 500 million euros bank loans, one bearing a floating interest rate of Euribor 3M +0.8% with a 2-year maturity and the other being a 500 million euros bank loan bearing a floating interest rate of Euribor 6M +1.15% with a 2-year maturity; this second bank loan contains an optional exit mechanism if the consolidated net debt to Ebidta ratio is higher than 4.75. Such an event would not be considered an event of default and would have no impact in the status of the Group's other financing arrangements;
- on June 13, 2014, set-up of a new 100 million euros bank loan, bearing a floating interest rate of Euribor 3M +1.50% with a 4-year and 7-month maturity;
- on May 27, 2014, set-up of a new 150 million euros bank loan, bearing a floating interest rate of Euribor 3M +1.55% with a 2-year and 8-month maturity;
- on July 24, 2013, signature and drawdown of a new 300 million euros bank loan, bearing a floating interest rate of Euribor 6M +2.85% with a 7-year maturity;
- on June 28, 2013, signature and set-up of a 120 million euros bank loan, bearing a floating interest rate of Euribor 6M +1.90% with a 3-year maturity.

See Note 25 (a) (Financial debt - bank loans) to the consolidated financial statements for more information on our financing.

(1) *Strict working capital requirements: trade receivables plus inventories and work in progress less trade payables*

Principal debt repayments in 2014

- on December 30, 2014, Lafarge S.A. repaid early:
  - a 300 million euros bank loan initially set up on July 24, 2013,
  - a 120 million euros bank loan initially set up on June 28, 2013,
  - a 150 million euros bank loan initially set up on September 26, 2011;
- on October 15, 2014, Lafarge S.A. repaid a tranche of a Schuldschein borrowing for 42 million euros initially issued October 15, 2008;
- on July 16, 2014, Lafarge S.A. repaid a 612 million euros bond initially issued on July 16, 2004;
- on May 27, 2014, Lafarge S.A. repaid a 1,000 million euros bond initially issued on May 27, 2009.

SHORT-TERM DEBT

Short-term needs are met mainly through the use of bank loans, the use of bank credit lines, the issuance of commercial paper, as well as the use of our receivables securitization programs.

Lafarge currently has a euro-denominated commercial paper program, with a maximum available amount of 3,000 million euros. At December 31, 2014, no commercial paper was outstanding under this program.

Lafarge also currently has trade receivables securitization programs, for which detailed information is given in Note 17 (Trade receivables) to the consolidated financial statements.

COMMITTED CREDIT LINES

Lafarge S.A. maintains committed credit lines with various banks to ensure the availability of funding on an as-needed basis.

On June 3, 2014 Lafarge S.A. signed a new syndicated credit facility. It replaces that signed on October 29, in 2004, then amended on July 28, 2005, on July 27, 2010 and on March 19, 2012. This new revolving credit facility amounts to 1,500 million euros. It has a three-year maturity, with two separate options for an additional one year each, at the lenders' discretion. This syndicated credit facility contains an optional exit mechanism, on an individual basis for each participating bank, if the consolidated net debt to Ebitda ratio is higher than 4.75. Such an event would not be considered default and would have no impact on the status of the Group's other financing arrangements.

The total amount of bilateral committed credit lines was reduced to 1,500 million euro in 2014, compared with 2,235 million euro at end-2013. In addition, four bilateral committed credit lines initially maturing in 2015, 2016 and 2017 were extended to 2017 and 2018.

At December 31, 2014, committed credit lines (syndicated and bilateral) amounted to 3,000 million euros (compared with 3,435 million euros at December 31, 2013), fully available on December 31, 2014 (also fully available at December 31, 2013). The average maturity of these credit facilities was approximately 2.7 years at the end of 2014 versus 2.8 years at the end of 2013. These facilities have all been amended to allow for the Lafarge – Holcim merger project to take place without triggering any Change of Control.

In addition, the Group has a 500 million euros facility signed in October 2012 and maturing in June 2020 of which 450 million euros is available at December 31, 2014. Drawings under this contract are considered as private placements outside Lafarge S.A.'s EMTN program, as a result of which it is treated separately from the bank committed credit lines.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents amounted to 1,961 million euros at year-end 2014, with 18% of this amount denominated in euros and the remainder in a large number of other currencies.

CASH MANAGEMENT

In order to ensure that cash surpluses are used efficiently, cash pooling structures on a country-by-country basis were adopted in a number of cases. A centralized cash management process was established for the euro-zone countries, and the centralization of cash management was also extended to significant non-euro countries (such as Hungary, Poland, Romania, Switzerland, the United Kingdom and the United States). Local cash pools have also been set up in other parts of the Group whenever possible.

Owing to legal or regulatory constraints or national regulations, Lafarge does not operate a fully global centralized cash management program to which all countries would participate. However, the policies set by senior management maximize cash recycling within the Group. Where cash cannot be recycled internally, cash surpluses are invested in liquid, short-term instruments.

SHARE CAPITAL

See Section 6.2.1 (Share capital), Note 15 (Other financial assets) to the statutory accounts and Note 20 (Equity) to the consolidated financial statements for information on the share capital of Lafarge S.A.

2.4.3 LEVEL OF DEBT AND FINANCIAL RATIOS

See Note 25 (Financial Debt) to the consolidated financial statements for more information on debt.

a) Total debt

On December 31, 2014, total debt amounted to 11,410 million euros[1] (compared with 12,944 million euros in 2013 under the application of IFRS 11 standards) excluding put options on shares of subsidiaries and the impact of derivative instruments. At the end of 2014, 308 million euros of short-term debt were reclassified to long-term debt on the basis of the Group's ability to refinance this obligation using the available funding provided by medium and long-term committed credit lines.

Long-term debt totaled 9,365 million euros at year-end 2014 compared with 10,557 million euros at year-end 2013. Approximately 21% of the 2014 long-term debt is due to mature after 2019. Long-term debt mainly comprises fixed-rate debt (after taking into account interest rate swaps). Most of this debt is denominated in euros and US dollars.

At December 31, 2014, short-term debt (including the current portion of long-term debt) amounted to 2,045 million euros (compared with 2,387 million euros in 2013).

At December 31, 2014, the average spot interest rate on total debt after swaps was 6.4%, compared to 6.6% at December 31, 2013. The average annual interest rate on debt after swaps was 6.3% in 2014 compared to 6.2% in 2013.

See Section 5.1.1 (b) (Financial and market risks) and Notes 25 (Financial Debt) and 26 (Financial instruments) to the consolidated financial statements for more information.

(1) *G4-9*

b) Net debt and net debt ratios

The net debt, which includes put options on shares of subsidiaries and derivative instruments, totaled 9,310 million euros at December 31, 2014 (compared with 9,846 million euros at December 31, 2013, after application of IFRS 11).

The net debt-to-equity ratio stood at 54% at December 31, 2014 (compared with 60% at December 31, 2013).

The cash flow from operations to net debt ratio stood at 11% at December 31, 2014 (compared with 12% at December 31, 2013).

See Section 2.2.4 (Reconciliation of non-GAAP financial measures) for more information on these indicators.

c) Loan agreements

Some of the loan agreements contain restrictions on the ability of subsidiaries to transfer funds to the parent company in certain specific situations. The nature of these restrictions can be either regulatory, when the transfers of funds are subject to approval by local authorities, or contractual, when the loan agreements include restrictive provisions, such as negative covenants on the payment of dividends. However, we do not believe that any of these covenants or restrictions, which relate to just a few loans, will have any material impact on our ability to meet our obligations.

See Section 5.1.1 (b) (Financial and market risks) for more information.

At December 31, 2014, the financing contracts of Lafarge S.A. do not contain any financial covenants. A small number of subsidiaries' loan agreements include such provisions. These subsidiaries are located in the following countries: India and Pakistan. Debt with such financial covenants represents approximately 1% of the total Group debt excluding put options on shares of subsidiaries at December 31, 2014. The joint ventures located in the United Arab Emirates, Bangladesh and Qatar also have loan contracts that require compliance with certain financial covenants. These financial covenants mainly have a low probability of being triggered. Given the split of these contracts on various subsidiaries and the quality of the Group's liquidity the existence of such clauses cannot materially affect the Group's financial situation.

See Note 25 (e) (Particular clauses in financing contracts) to the consolidated financial statements for more information.

2.4.4 RATING

Because external sources are used to finance a significant portion of the Group's capital requirements, access to global sources of financing is important. The cost and availability of unsecured financing are generally dependent on short-term and long-term credit ratings. Factors that are significant in the determination of credit ratings or that otherwise could affect the ability to raise short-term and long-term financing include: the level and volatility of earnings, the relative positions in the markets in which Lafarge operates, the global and product diversification, the risk management policies and the financial ratios, such as net debt to total equity and cash flow from operations to net debt. Credit rating agencies are expected to focus, in particular, on the ability to generate sufficient operating cash flows to cover the repayment of debt. Deterioration in any of the previously stated factors or a combination of these factors may lead rating agencies to downgrade credit ratings, thereby increasing the cost of obtaining unsecured financing. Conversely, an improvement in these factors may prompt rating agencies to upgrade credit ratings.

Since the filing of the previous Registration Document, the credit ratings for Lafarge's short and long-term debt evolved as follows:

		03/17/2011	08/05/2011	03/13/2012	08/12/2013	11/12/2013	04/07/2014	04/08/2014
Standard &Poor's	Short-term rating	B						
	Long-term rating	BB+ (stable outlook)		BB+ (negative outlook)		BB+ (stable outlook)		BB+ (positive outlook)
Moody's	Short-term rating							
	Long-term rating		Ba1 (stable outlook)		Ba1 (negative outlook)		Ba1 (review for upgrade)	

See Section 5.1.1 (a) (Risks related to the intended merger of Lafarge and Holcim) and 5.1.1 (b) (Financial and market risks - indebtedness and credit ratings) for information on the financial impact of changes to Lafarge's credit ratings.

3

CORPORATE GOVERNANCE AND COMPENSATION

DECLARATION IN TERMS OF CORPORATE GOVERNANCE – GOVERNANCE CODE OF REFERENCE

LEGAL FRAMEWORK:

French listed companies are required to publish a statement of corporate governance specifying which Code they are voluntarily referring to and indicating, where appropriate, the provisions of this Code of Corporate Governance that have not been applied and the reasons for which they have not been implemented (Article L. 225-37 of the French Commercial Code).

The Code of Corporate Governance which the Company refers to is the "Code of the Corporate Governance of Listed Corporations" published by the Afep (*Association française des entreprises privées*) and the Medef (*Mouvement des entreprises de France*), named the "Afep-Medef Code".

This Code, which is available online on www.medef.com or www.afep.com, consolidates the various corporate governance principles and recommendations of the Afep and the Medef in its June 2013 version.

The Lafarge S.A. Board of Directors considers that these recommendations are in line with the corporate governance principles of the Company.

In accordance with this Code and French law, companies that refer to this Code must state in their Registration Document how these recommendations have been implemented and explain, if need be, the reasons why they have not been fully complied with. Explanations regarding compliance by Lafarge S.A. will be mentioned in this Chapter 3.

See Section 3.7 (Implementation of the principle "Comply or Explain" of the Afep-Medef Code) for a consolidated presentation of the provisions of the Code which are not applied by the Company.

3.1 BOARD OF DIRECTORS - CORPORATE OFFICERS

LEGAL FRAMEWORK:

Under French law, the Chairman and Chief Executive Officer as well as the members of the Board of Directors are considered to be the «Corporate Officers» (*mandataires sociaux*) of Lafarge S.A.

At present, the Board of Directors of Lafarge S.A. consists of 18 members, two of which representing employees, with largely international backgrounds that bring to the Board of Directors diverse complementary expertise and experience.

The Board's composition was modified during the 2014 financial year as a result of the following events:

- shareholders at the General Meeting held on May 7, 2014 re-appointed Mrs Véronique Weil, as an independent Director, and appointed two new Directors, Mrs Mina Gerowin and Mrs Christine Ramon, both qualified as independent Directors by the Board;
- Mrs Colette Lewiner did not ask for the renewal of her office as Director upon expiry of her term of office at the end of the General Meeting held on May 7, 2014;
- two Directors representing employees, Messrs Luc Jeanneney and Ewald Simandl, were nominated by the Works Council of Lafarge S.A. and the European Works Council respectively and their appointment became effective at the Board of Directors' meeting held on November 4, 2014.

These changes to the Board of Directors are set out in the table in Section 3.1.3, which also summarizes various other information relating to the Board's composition.

GENERAL INFORMATION ON DIRECTORSHIPS AT LAFARGE

Several Board members have professional dealings with the Group and therefore have a good understanding of the Group's activities. Other Directors are not as close to our business and bring to the table other experience, a global understanding of business matters and the ability to benchmark the Group's activities against practices and standards in other industries.

In accordance with the Director's Charter, each Board member must carry out his/her duties with full freedom of judgment. Proposals for the election of a new Director when their nomination is on the agenda are made by the Corporate Governance and Nominations Committee, with the exception of Directors representing employees. In accordance with the Articles of Association, Directors representing employees are nominated by the Works Council of Lafarge S.A. and the European Works Council respectively.

The Company's current Articles of Association, as modified by the last General Meeting held on May 7, 2014, provide that:

- Directors are appointed for a 4-year office term;
- no Director may be over 73 years old and the number of Directors being over 70 years old must not exceed one-third of the Directors in office; and
- each Director (with the exception of Directors representing employees) must hold a minimum of 1,143 shares of the Company in registered form.

REPRESENTATION OF EMPLOYEES ON THE BOARD OF DIRECTORS

LEGAL FRAMEWORK:

Boards of Directors of entities that meet the criteria set out by French law must include Directors representing employees. When more than 12 Directors sit on the Board, the number of Directors representing employees must be at least two (article L. 225-27-1 of the French Commercial Code).

Two Directors representing employees were nominated for the first time in 2014 (one by the Works Council of Lafarge S.A. and the other by the European Works Council) and their appointment became effective at the Board of Directors' meeting held on November 4, 2014. These appointments result from the entry into force of the new law on representation of employees on Boards of Directors described above and from the amendments to the Articles of Association of the Company voted during the last General Meeting held on May 7, 2014 to lay down the procedure for nominating two Directors representing employees on the Board of Directors.

The Directors representing employees have indicated waiv their right in full to the Directors' fees to which they would be entitled as Directors, in favor of the trade unions of which they are members respectively. This waiver becomes effective from the date of their appointment to the Board for the full amount of Directors' fees and for the duration of their terms of office as Directors.

One of the Directors representing employees was appointed as a member of the Remunerations Committee by the Board of Directors held on February 17, 2015.

Moreover, one representative of the Works Council attends the Board of Directors' meetings.

There are no Directors representing employee shareholders as of the date of the publication of this Registration Document.

See Section 6.2.5 (Articles of Association (statuts)) for more information on the rules governing the Board of Directors.

3.1.1 FORM OF ORGANIZATION OF GOVERNANCE – BOARD OF DIRECTORS – CHAIRMAN AND CHIEF EXECUTIVE OFFICER – VICE-CHAIRMAN

a) Chairman of the Board and Chief Executive Officer[(1)]

LEGAL FRAMEWORK:

The governance structure of a French public limited liability company (i.e.: a one-tier Board of Directors or a two-tier Board comprising a Management Board and a separate Supervisory Board) is chosen by the shareholders in a General Meeting. For companies with a one-tier Board, it is up to the Board of Directors to decide whether or not the functions of Chairman and Chief Executive Officer need to be separate. For these types of companies, general management can be assumed by the Chairman of the Board (in this case the functions of Chairman and CEO are unified). It can also be transferred to a person other than the Chairman, the Chief Executive Officer (separation of functions) (article L. 225-51-1 of the French Commercial Code).

On May 28, 2002, the General Meeting of Lafarge S.A. resolved to amend the Articles of Association of the Company, providing that the Company would be managed through a one-tier Board structure.

At its May 3, 2007 meeting, and further to the recommendations of the Nominations Committee, the Lafarge Board of Directors resolved that it was in the best interest of the Company to unify the functions of Chairman of the Board and Chief Executive Officer. On the same date, it decided to confer these functions to Mr Bruno Lafont.

This type of governance is very common in French issuing companies with a Board of Directors. It is deemed appropriate given the organization and operating mode of Lafarge, offering a reactive and efficient decision making process which maintains and reinforces alignment within the organization. This type of governance structure is exercised in compliance with the specific powers of each governing body (General Meetings, Board of Directors, Executive Officers), particularly in terms of control over management of the Group's activity.

The presence of a majority of independent Directors on the Board together with the framework set by the Board's internal regulations which in particular provide for the election of an independent Vice-Chairman of the Board (Lead Independent Director) with specific powers, ensure compliance with corporate governance best practices.

It was noted by the Board of Directors during its self-assessment conducted at the beginning of 2015 that the governance structure of the Company allowed for a balanced functioning of the Board, in compliance with corporate governance best practices, thereby confirming the findings made during its previous self-assessment[(2)].

See Section 3.1.2 (Powers of the Chairman and Chief Executive Officer) for further information regarding the powers of the Chairman and Chief Executive Officer and their limitations, as well as the paragraph below for information on the missions of the Vice-Chairman of the Board (Lead Independent Director).

(1) *G4-39.*
(2) *G4-44.*

b) Vice-Chairman of the Board (Lead Independent Director)

This office is currently held by Mr Oscar Fanjul.

In accordance with its internal regulations, the Board elects a Vice-Chairman of the Board (Lead Independent Director) from amongst the Directors who are classified as independent for a one-year renewable term of office upon recommendation by the Corporate Governance and Nominations Committee.

He is elected at the Board of Directors' meeting following the annual Shareholders' Meeting of the Company.

He is the Chairman of the Corporate Governance, Nominations and Remunerations Committees.

He chairs meetings of the Board in the absence of the Chairman and Chief Executive Officer and, in particular, chairs the Board of Directors' discussions at least once per year to assess the performance and set the remuneration of the Chairman and Chief Executive Officer, such discussions taking place in the absence of the latter.

Likewise, should he consider it necessary, the Vice-Chairman may arrange, in advance of the meeting of the Board of Directors during which the assessment of the Board is scheduled to take place, a separate meeting of the independent Directors to consult on, coordinate and facilitate the communication of any recommendations by these Directors.

More generally, as provided for in the Articles of Association (Article 16), a meeting of the Board may be convened and then chaired by the Vice-Chairman if the Chairman and Chief Executive Officer is unavailable.

Since the agenda of Board meetings is prepared in conjunction with the Vice-Chairman, the Chairman and Chief Executive Officer will send him a draft version before convening the meeting. Where appropriate after consulting with the other Committee Chairmen, the Vice-Chairman may propose adding further points to this agenda. The Vice-Chairman may also propose convening an unscheduled meeting of the Board of Directors to the Chairman and Chief Executive Officer to consider a particular issue, the importance or urgent nature of which would justify holding such an exceptional meeting.

Such requests may not be dismissed without good reason.

On an annual basis, the Vice-Chairman draws up and presents to the Board an activity report helping it to assess the performance of his role and duties, particularly with regard to monitoring all the corporate governance-related issues in conjunction with the Chairman and Chief Executive Officer, and the use of his specific powers.

As part of this role of monitoring corporate governance-related issues, the Vice-Chairman's duties include coordinating within the Corporate Governance and Nominations Committee the proper implementation of procedures to identify, analyze and provide information about situations that could possibly fall within the scope of the management of conflicts of interest within the Board of Directors.

See Section 3.2.3 (Self-assessment by the Board, Committees, Chairman and Chief Executive Officer – Activity report of the Vice-Chairman) for the principal findings of the Vice-Chairman's activity report for 2014.

c) Secretary of the Board

The Board of Directors appoints a Secretary of the Board, who may be selected from beyond the membership of the Board of Directors. The Secretary of the Board may also be appointed as secretary to the Committees of the Board.

The Secretary of the Board's broad responsibility is to assist the Chairman and Chief Executive Officer in ensuring Board effectiveness and in organizing the work of the Board and of its Committees.

The Secretary of the Board is Ms Bi Yong Chungunco, Group General Counsel and Corporate Secretary.

3.1.2 POWERS OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

a) General description of the Chairman and CEO's powers

The Chairman and Chief Executive Officer represents the Company in its relations with third parties. He has broad powers to act on behalf of our Company in all circumstances (article L. 225-56 of the French Commercial Code).

He exercises these powers within the limits of the Company's corporate purpose and subject to the powers expressly granted by law to Shareholders' Meetings and to the Board of Directors.

He represents the Company in its dealings with third parties. The Company is bound by the Chief Executive Officer's acts which are outside the Company's corporate purpose unless the Company can prove that the third party knew that such act fell outside the scope of the Company's corporate purpose or could not have ignored it given the circumstances, it being clarified that publication of the articles of association in itself does not constitute sufficient proof.

Provisions of the articles of association and decisions of the Board of Directors limiting the powers of the Chief Executive Officer are unenforceable against third parties.

In addition, as Chairman of the Board, the Chairman and Chief Executive Officer represents the Board of Directors. In accordance with the provisions of the law and of the Board's internal regulations, the Chairman and Chief Executive Officer chairs meetings of the Board of Directors and prepares and coordinates its work and that of its Committees. In this regard and with the support of the Company Secretary, he will:

- call meetings of the Board of Directors according to the timetable laid down, and decide whether to call meetings of the Board at any other time as needed;
- prepare the agenda in collaboration with the Vice-Chairman, supervise the preparation of papers for the Board of Directors and ensure that the information contained therein is complete;
- call meetings of the Committees in collaboration with the Chairmen of Committees;
- ensure that certain subjects are discussed by the Committees in preparation for meetings of the Board, and satisfy himself that their proposals carry weight with the Board;
- ensure that the Directors observe the provisions of the internal regulations of the Board and of the Committees;
- ensure that the decisions of the Board are followed up;
- prepare and organize the Board's work of periodic assessment, in collaboration with the Corporate Governance and Nominations Committee; and
- preside over the Board's discussions.

The Chairman and Chief Executive Officer will act as a liaison between the Board of Directors and shareholders at specific meetings or at meetings with the members of the shareholders' consultative Committee.

The Company's strategic priorities are proposed by the Chairman and Chief Executive Officer and are discussed by the Board of Directors and the Strategy, Investment and Sustainable Development Committee. Specific strategic presentations may be submitted to the Board of Directors as often as necessary. The Company's strategic priorities are approved by the Board of Directors.

Limitations of the Chairman and Chief Executive Officer's powers are contained in the Board's internal regulations and concern investment and divestment decisions, as well as certain financial transactions.

b) Prior approval and information of the Board (limitations)

INVESTMENTS AND DIVESTMENTS

The Board's internal regulations provide that investment and divestment decisions must be submitted to the Board of Directors as follows:

- as regards transactions which are in line with strategy previously approved by the Board:
  - submission post transaction for information purposes: for transactions below 200 million euros,
  - submission for prior information of the principle of the transaction, either during a Board meeting or in writing, enabling Directors to request further information, comment on the proposed transaction or request a Board decision: for transactions between 200 and 600 million euros,
  - submission for prior approval of the transaction and its terms: for transactions in excess of 600 million euros;
- as regards transactions that do not fall within the scope of the Company's strategy as previously defined by the Board: submission for prior approval of transactions exceeding 100 million euros.

The above amounts refer to the Company's total commitment including assumed debt and deferred commitments.

FINANCIAL TRANSACTIONS

The Board's internal regulations provide that transactions relating to the arrangement of debt, financing and liquidity that can be decided by Chief Executive Officers by law, or pursuant to a delegation by the Board of Directors and the General Meeting, are subject to the following rules:

- financing transactions carried out through bilateral or syndicated credit facilities for an amount below 2,000 million euros are submitted to the Board of Directors by the Chairman and Chief Executive Officer for information purposes post transaction. Those transactions exceeding 2,000 million euros are submitted to the Board for prior approval;
- bond issues, which may be decided by the Chairman and Chief Executive Officer pursuant to a Board delegation, must be submitted to the Board as follows:
  - for information purposes following the closing of the issue: for bond issues below 300 million euros,
  - for information purposes prior to the launch of the issue: for bond issues between 300 million and 1,000 million euros, the Chairman and Chief Executive Officer is in charge of defining the terms and conditions of the issue,
  - for prior approval of the issue and its terms: for bond issues in excess of 1,000 million euros,
  - for prior approval of the issue and its terms for bond issues convertible or exchangeable into shares.

SUMMARY OF THE PRIOR APPROVAL AND INFORMATION RULES CONTAINED IN THE BOARD'S INTERNAL REGULATIONS

Type of transaction	Amount of transaction (in million euros)	Board consultation
INVESTMENTS AND DIVESTMENTS		
In line with strategy previously approved by the Board	<200	Post Information
	≥200 ≤600	Prior Information
	>600	Prior Approval
That do not fall within the scope of the Company's strategy as previously defined by the Board	>100	Prior Approval
FINANCIAL TRANSACTIONS		
	<2,000	Post Information
Credit facilities	≥2,000	Prior Approval
Bond issues	<300	Post Information
	≥300 ≤1,000	Prior Information
	>1,000	Prior Approval
Transactions giving rights to capital	From 1st euro	Prior Approval

3.1.3 INFORMATION ON DIRECTORS[1]

The Board of Directors of Lafarge S.A. is composed of 18 members, two of which represent employees, with largely international profiles. Their respective management experience and expertise, presented below, bring diverse and complementary skills to the Board of Directors.

Directors	Appointment (CHANGES DURING 2014)	Renewal (CHANGES DURING 2014)	End of office (CHANGES DURING 2014)	Nationality	Age[2]	Gender	Date of initial appointment	Years of service on the Board[2]
DIRECTORS CURRENTLY IN OFFICE								
Bruno LAFONT Chairman of the Board and Chief Executive Officer	–		–	French	58	M	05/25/2005	9
Oscar FANJUL Vice-Chairman of the Board Lead Independent Director	–		–	Spanish	65	M	05/25/2005	9
Philippe CHARRIER	–		–	French	60	M	05/25/2005	9
Philippe DAUMAN	–	–	–	American	61	M	05/03/2007	7
Paul DESMARAIS, Jr.	–	–	–	Canadian	60	M	01/18/2008	7
Juan GALLARDO	–		–	Mexican	67	M	09/03/2003 (cooptation)	11
Ian GALLIENNE	–	–	–	French	44	M	11/03/2011 (cooptation)	3
Mina GEROWIN	General Meeting held on May 7, 2014	-	-	American	63	F	05/07/2014	10 months
Jérôme GUIRAUD	–	–	–	French	54	M	05/07/2008	6
Luc JEANNENEY	Board meeting of November 4, 2014 (designation by the Works Council of the Company)	-		French	47	M	11/04/2014	4 months
Gérard LAMARCHE	–	–	–	Belgian	53	M	05/15/2012	2
Hélène PLOIX	–			French	70	F	05/27/1999	15
Baudouin PROT	–	–	–	French	63	M	05/12/2011	3
Christine RAMON	General Meeting held on May 7, 2014	-	-	South-African	47	F	05/07/2014	10 months
Michel ROLLIER	–	–	–	French	70	M	05/07/2008	6
Nassef SAWIRIS	–	–	–	Egyptian	54	M	01/18/2008	7
Ewald SIMANDL	Board meeting of November 4, 2014 (designation by the European Works Council)	-	-	Austrian	56	M	11/04/2014	4 months
Véronique WEILL	–	General Meeting held on May 7, 2014	–	French	55	F	05/06/2010	4
DIRECTORS WHOSE TERM OF OFFICE HAS EXPIRED IN 2014								
Colette LEWINER	–	–	At the end of the General Meeting held on May 7, 2014	–	–	–	–	–

(1) G4-38.
(2) On the date of publication of this Registration Document.
(3) For more information of the qualification of independent Directors, see Section 3.1.4 (Independent Directors)
(4) At 31/12/2014. For the attendance rate at Committee meetings, please refer to Section 3.2.4 (Summary Table on the attendance at Board and Committee meetings).
(5) Audit=Audit Committee, GN= Corporate Governance and Nominations Committee, Rem=Remunerations Committee, SDD=Strategy, Investment and Sustainable Development Committee, C=Chairman of the Committee.
(6) Including the Lafarge S.A. directorship and in accordance with the Afep-Medef Code recommendations.
(7) Directorships in listed companies held as representative of companies in which a Director holds an executive office and whose main activity is to acquire and manage holdings do not count towards the number of directorships held, pursuant to the Afep-Medef Code. As a result, the number of directorships in listed companies held by Mr Desmarais Jr. is in line with the limitations recommended by the Afep-Medef Code.

OTHER INFORMATION

End of Term of office	Independent Director[3]	Representing employees or shareholder employees	Attendance rate (Board)[4]	Board Committees[2] [5]	Number of directorships in listed companies[6]	Experience and expertise
2017 (General Meeting called to approve the 2016 Financial statements)	No	No	100%	–	3	Chairman of the Board and Chief Executive Officer of the Group
2017 (General Meeting called to approve the 2016 Financial statements)	Yes	No	100%	GN (C) Rem (C) Audit SDD	3	Industry / International / Finance Expertise in corporate governance
2017 (General Meeting called to approve the 2016 Financial statements)	Yes	No	100%	Rem SDD	2	Industry / International Expertise in sustainable development and marketing
2015 (General Meeting called to approve the 2014 Financial statements)	Yes	No	100%	SDD (C) GN	2	Industry / International Knowledge of the Group in North America
2016 (General Meeting called to approve the 2015 Financial statements)	No	No	100%	SDD	9[7]	Finance and management of equity investments Industry / International Knowledge of North America
2017 (General Meeting called to approve the 2016 Financial statements)	Yes	No	100%	Audit GN Rem	4	Industry / International / Finance Knowledge of North and Latin America
2016 (General Meeting called to approve the 2015 Financial statements)	No	No	89%	GN Rem	5	Finance and management of equity investments Industry / International
2018 (General Meeting called to approve the 2017 Financial statements)	Yes	No	100%	SDD	3	Finance and management of equity investments Industry / International
2016 (General Meeting called to approve the 2015 financial statements)	No	No	100%	Audit	2	Finance / International Knowledge of Eastern Europe, Africa and Middle East
November 4, 2018	No	Yes	100%	–	1	Vision as employee Knowledge of the Group and its businesses Purchasing Knowledge of Brazil
2016 (General Meeting called to approve the 2015 financial statements)	No	No	89%	Audit SDD	5	Finance and management of equity investments Industry / International
2017 (General Meeting called to approve the 2016 financial statements)	Yes	No	100%	SDD	5	Finance / Industry / International Knowledge of the Group
2015 (General Meeting called to approve the 2014 financial statements)	Yes	No	89%	GN SDD	3	Finance / Banking International
2018 (General Meeting called to approve the 2017 financial statements)	Yes	No	80%	Audit	3	Finance/International Extractive industries Knowledge of Africa
2016 (General Meeting called to approve the 2015 financial statements)	Yes	No	100%	Audit (C) GN SDD	3	Finance / Industry / International Expertise in corporate governance
2016 (General Meeting called to approve the 2015 financial statements)	No	No	67%	GN Rem SDD	3	Industry / International Knowledge of Africa and Middle East Knowledge of the Group's businesses Entrepreneur and business developer
November 4, 2018	No	Yes	100%	Rem	1	Vision as employee Knowledge of the Group and its businesses Expertise in IT transformation projects
2018 (General Meeting called to approve the 2017 financial statements)	Yes	No	78%	Audit Rem	1	Finance / International Knowledge of corporate functions
–	–	–	–	–	–	Mrs Lewiner no longer in office since May 7, 2014

a) Presentation of the Directors – Expertise and experience

BRUNO LAFONT - born on June 8, 1956 - French citizen

61, rue des Belles Feuilles, 75116 Paris, France

Number of Lafarge S.A. shares held: 37,506

Experience and expertise

Chairman of the Board of Directors and Chief Executive Officer

Bruno Lafont was appointed as Chairman of the Board of Directors in May 2007. He has held the office of Director since May 2005 and Chief Executive Officer since January 1, 2006. He graduated from the Hautes Études Commerciales business school (HEC 1977, Paris) and the École Nationale d'Administration (ENA 1982, Paris). He began his career at Lafarge in 1983 and held various positions in finance and international operations. In 1995, Mr Lafont was appointed Group Executive Vice-President, Finance, then Executive Vice-President of the Gypsum Division in 1998. Mr Lafont joined the Group's General Management as Chief Operating Officer between May 2003 and December 2005. He also acts as Director for EDF and ArcelorMittal (Luxembourg).

Bruno Lafont is a member of the Executive Committee of the World Business Council for Sustainable Development (WBCSD) where he co-chairs the Energy Efficiency in Buildings project. He presently chairs the Energy & Climate Change Working Group of the European Round Table of Industrialists and the Sustainable Development Commission of the Medef (Mouvement des Entreprises de France, the French employers association). Mr Lafont is a special advisor to the Mayor of Chongqing (China).

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2005. Expiry of his term of office after the General Meeting called to approve the 2016 financial statements. Chief Executive Officer since January 2006. Chairman and Chief Executive Officer since May 2007.

Positions held in France and abroad over the last five years

Current positions:

In France:
Director, Chairman and Chief Executive Officer of Lafarge (listed company)
Director of EDF (listed company)

Abroad:
Director of ArcelorMittal (Luxembourg) (listed company)
Director of Lafarge Shui On Cement Limited (China) (a Group company)

Over the last five years that have ended, in France and abroad:

Abroad:
Positions in various subsidiaries of the Group

OSCAR FANJUL - born on May 20, 1949 - Spanish citizen

Paseo de la Castellana, 28-5°, ES-28046 Madrid, Spain

Number of Lafarge S.A. shares held: 6,193

Experience and expertise

Vice-Chairman of the Board of Directors, Chairman of the Corporate Governance and Nominations Committee, Chairman of the Remunerations Committee, member of the Audit Committee, member of the Strategy, Investment and Sustainable Development Committee

Oscar Fanjul was appointed to the Lafarge Board of Directors in 2005 and has been Vice-Chairman of the Board since August 1, 2007. He began his career in 1972 working for the industrial holding I.N.I. (Spain), acted as Chairman Founder and Chief Executive Officer of Repsol (Spain), and was then Chairman of Deoleo S.A (Spain).

He currently acts as Vice-Chairman of Omega Capital, SL (Spain). Oscar Fanjul is also a Director of Marsh & McLennan Companies (United States) and Acerinox (Spain).

Independent Director, Oscar Fanjul in particular brings to the Board his experience as an executive officer and Director of international industrial groups as well as his expertise in finance and corporate governance. In addition to his specific duties as Vice-Chairman of the Board, Oscar Fanjul ensures coordination and coverage of work and topics to be addressed by the Corporate Governance and Nomination Committee and the Remunerations Committee, which he chairs.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2005. Expiry of his term of office after the General Meeting called to approve the 2016 financial statements.

Positions held in France and abroad over the last five years

Current positions:

In France:
Director and Vice-Chairman of the Board of Lafarge (listed company)

Abroad:
Vice-Chairman of Omega Capital (Spain)
Director of Marsh & McLennan Companies (USA) (listed company)
Director of Acerinox (Spain) (listed company)

Over the last five years that have ended, in France and abroad:

In France:
Director of Areva (listed company) until 2011

Abroad:
Chairman of Deoleo, S.A. (Spain) (listed company) until 2014
Director of the London Stock Exchange (United Kingdom) (listed company) until 2010

PHILIPPE CHARRIER - born on August 2, 1954 - French citizen

60-62, rue d'Hauteville, 75010 Paris, France

Number of Lafarge S.A. shares held: 6,118

Experience and expertise

Director, member of the Remunerations Committee, member of the Strategy, Investment and Sustainable Development Committee

Philippe Charrier was appointed to the Lafarge Board of Directors in 2005. He is Chief Executive Officer and Director of Labco, and Chairman of the Board of Directors of Alphident and Dental Emco S.A. He is also a Founding member of the Club Entreprise et Handicap, and Director and Chairman of the Audit Committee of Rallye. He is the Founder and President of the Clubhouse France association established in 2011. He is President and Director of the association Unafam.

He was Vice-President, Chief Executive Officer and Director of Œnobiol from 2006 to 2010 and Chairman and Chief Executive Officer of Procter & Gamble France from 1999 to 2006. He joined Procter & Gamble in 1978 and held various financial positions before serving as Chief Financial Officer from 1988 to 1994, Marketing Director in France from 1994 to 1996, and Chief Operating Officer of Procter & Gamble Morocco from 1996 to 1998.

Independent Director, Philippe Charrier in particular brings to the Board his experience as an executive officer and Director of international industrial groups as well as his expertise in the field of sustainable development and marketing.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2005. Expiry of his term of office after the General Meeting called to approve the 2016 financial statements.

Positions held in France and abroad over the last five years

Current positions:

In France:

Director of Lafarge (listed company)
Chief Executive Officer and Director of Labco
Chairman of the Board of Directors of Alphident and Dental Emco S.A. (subsidiary of Alphident)
Director of Rallye (listed company)
Director and President of the UNAFAM (association)
Founder and President of Clubhouse France (association)

Abroad:

Director of various international Labco affiliates

Over the last five years that have ended, in France and abroad:

In France:

Chairman of Labco
Chairman of the Supervisory Board of Spotless group until 2010
Vice-President, Chief Executive Officer and Director of Œnobiol from 2006 to 2010
Director of La Fondation Nestlé pour la Nutrition

PHILIPPE DAUMAN - born on March 1, 1954 - American citizen

1515 Broadway,
New York, NY 10036, USA

Number of Lafarge S.A. shares held: 1,143

Experience and expertise

Director, Chairman of the Strategy, Investment and Sustainable Development Committee, member of the Corporate Governance and Nominations Committee

Philippe Dauman was appointed to the Lafarge Board of Directors in 2007. He has been President and Chief Executive Officer of Viacom Inc. (US) since September 2006. He was previously Joint Chairman of the Board and Chief Executive Officer of DND Capital Partners LLC (US) from May 2000. Before creating DND Capital Partners, Philippe Dauman was Deputy Chairman of the Board of Viacom from 1996 to May 2000, Executive Vice-President from 1995 to May 2000, and General Counsel and Secretary of the Board from 1993 to 1998. Prior to that, he was a partner in New York law firm Shearman & Sterling. He served as Director of Lafarge North America Inc. from 1997 to 2006. He is currently a Director of Viacom Inc. and National Amusements Inc. (US), a member of the Dean's Council for the University of Columbia Law School, a member of the Business Roundtable (US), a member of the Board of the National Cable & Telecommunications Association (US) and Co-Chairman of the Partnership for New York (US). He is also a member of The Paley Center for Media's Board (US), a member of the Board of Kipp Foundation (US), and a member of the Executive Committee of the Board of Lenox Hill Hospital (US).

Independent Director, Philippe Dauman in particular brings to the Board his knowledge of the Group, in particular in North America, as well as his experience as an executive officer and Director of international industrial groups.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2007. The renewal of his term of office will be proposed at the General Meeting convened on May 7, 2015.

Positions held in France and abroad over the last five years

Current positions:

In France:
Director of Lafarge (listed company)

Abroad:
Director, President and Chief Executive Officer of Viacom Inc. (USA) (listed company)
Director of National Amusements Inc. (USA)

Over the last five years that have ended, in France and abroad:

N/A

3

PAUL DESMARAIS, JR. - born on July 3, 1954 - Canadian citizen

751, Square Victoria, Montreal, Quebec H2Y 2J3, Canada

Number of Lafarge S.A. shares held: 6,715

Experience and expertise

Director, member of the Strategy, Investment and Sustainable Development Committee

Paul Desmarais, Jr. was appointed to the Lafarge Board of Directors in January 2008.

He joined the Power Corporation of Canada in 1981 and he was appointed as its Vice-President the year after. In 1984, he led the creation of Power Financial Corporation (PFC) in order to consolidate Power's main financial interests with those of Pargesa Holding SA. Mr Desmarais was Vice-Chairman and Chief Operating Officer of PFC from 1986 to 1989, Executive Director and Vice-Chairman of the Board from 1989 to 1990, Executive Director and Chairman from 1990 to 2005, Chairman of the Executive Committee from 2006 to 2008 and he is Executive Co-Chairman of the Board of PFC since 2008. Furthermore, he was also Vice-Chairman of the Board of Power Corporation from 1991 to 1996. He was appointed Chairman and Co-CEO of Power Corporation in 1996.

After the takeover of Pargesa by PFC and the Belgian Group Frère in 1990, Mr Desmarais worked in Europe from 1991 to 1994, during which period he developed the partnership with Groupe Frère group and worked on the restructuring of the Pargesa group. He was a Member of the Management Committee of Pargesa from 1982 to 1990, Executive Vice-Chairman of the Committee in 1991 and then Executive Chairman. He was appointed Managing Director in 2003 and Chairman of the Board of Pargesa in 2013.

Paul Desmarais, Jr. studied at McGill University (Canada) where he obtained a Bachelor's degree in Commerce. He then graduated from the European Institute of Business Administration (INSEAD) in Fontainebleau, France, with an MBA.

Paul Desmarais, Jr. in particular brings to the Board his expertise in finance and management of equity investments as well as his experience as a Director of international industrial groups and his knowledge of North America.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2008. Expiry of his term of office after the General Meeting called to approve the 2015 financial statements.

Positions held in France and abroad over the last five years

Current positions:

In France:
Director of Lafarge (listed company)(1)
Director of Total S.A. (listed company)(1)

Abroad:
Director of Power Corporation of Canada (Canada) (listed company)
Director of AppDirect (USA)
Director of Steve Nash Fitness Centers (Canada)
Director of Best Friends (Canada)
The following positions are held as representative of Power Corporation of Canada:
Co-Chairman and Director of Power Financial Corporation (Canada) (listed company)(1)
Chairman of the Board of Directors and Deputy Managing Director of Pargesa Holding (Switzerland) (listed company)(1)
Director and member of the Executive Committee of Great-West, life insurance company (Canada)
Director and member of the Executive Committee of Great-West Life & Annuity Insurance Company (USA)
Director and member of the Executive Committee of Great-West Lifeco Inc. (Canada) (listed company)(1)
Vice-Chairman of the Board, Director and member of the Permanent Committee of Groupe Bruxelles Lambert S.A. (Belgium) (listed company)(1)
Director and member of the Executive Committee of Group Investors Inc. (Canada)
Director and member of the Executive Committee of London Insurance Group Inc. (Canada)
Director and member of the Executive Committee of London Life life insurance company (Canada)
Director and member of the Executive Committee of Mackenzie Inc. (Canada)
Director and member of the Executive Committee of Canada Life Assurance Company (Canada)
Director and member of the Executive Committee of Canada Life Financial Corporation (Canada)
Director and member of the Executive Committee of Canada Life Capital Corporation (Canada)
Director and Chairman of the Board of Power Corporation International (Canada)
Director and Vice-President of the Board of Square Victoria Communications Group Inc. (Canada)
Director and member of the Executive Committee of IGM Financial Inc. (Canada) (listed company)(1)
Member of the Supervisory Board of Parjointco N.V. (Netherlands)
Director and Vice-President of the Board of Gesca Ltée (Canada)
Director and Vice-President of the Board of La Presse Ltée (Canada)
Director of Power Communications Inc. (Canada)
Director and member of the Executive Committee of Putnam Investments LLC (USA)
Director of Great-West Financial (Canada) Inc. (Canada)
Director and Chairman of 171263 Canada Inc. (Canada)
Director of 152245 Canada Inc. (Canada)
Director of GWL&A Financial Inc. (USA)
Director of Great-West Financial (Nova Scotia) Co. (Canada)
Director of Great-West Life & Annuity Insurance Company of New York (USA)
Member of the Supervisory Board of Power Financial Europe B.V. (Netherlands)
Director and Member of the Management Board of The Canada Life Insurance Company of Canada (Canada)
Director of SGS S.A. (Switzerland) (listed company)(1)

Over the last five years that have ended, in France and abroad:

In France:
Director of GDF-Suez (listed company) until 2014

Abroad:
Director and member of the Executive Committee of Crown Life Insurance Company (Canada) until 2012
Vice-Chairman of the Board of 3819787 Canada Inc. (Canada) until 2010

(1) *These positions are held as representative of Power Corporation of Canada. Directorships in listed companies held as representative of companies in which a Director holds an executive office and whose main activity is to acquire and manage holdings do not count towards the number of directorships held, pursuant to the Afep-Medef Code. As a result, the number of directorships in listed companies held by Mr Desmarais Jr. is in line with the limitations recommended by the Afep-Medef Code.*

JUAN GALLARDO - born on July 28, 1947 - Mexican citizen

Monte Caucaso 915 - 4 piso, Col. Lomas de Chapultepec C.P., MX 11000 Mexico, Mexico

Number of Lafarge S.A. shares held: 1,500

Experience and expertise

Director, member of the Audit Committee, member of the Corporate Governance and Nominations Committee, member of the Remunerations Committee

Juan Gallardo was co-opted to the Lafarge Board of Directors in 2003. He has been Chairman of Organizacion Cultiba SAB de CV (Holding of Grupo GEPP and Grupo Azucarero Mexico) (Mexico) since 1985. He is also a Director of IDEA S.A., Caterpillar, Inc. (USA) and Banco Santander (Mexico). Juan Gallardo coordinated the private sector efforts in the Alena negotiations as well as in the free-trade agreement between Mexico and the European Union. He is a member of the Mexican Business Roundtable. He was previously a member of the International Advisory Council of Lafarge, Chairman of the Board of Directors of Fondo Mexico, Vice-President of Home Mart Mexico and Director of Grupo Mexico S.A. de C.V. (Mexico). Independent Director, Juan Gallardo in particular brings to the Board his experience as a Director of international industrial groups, his expertise in finance as well as his knowledge of North and Latin America.

Position (appointment/renewal/expiry of term of office)

Co-optation as Director of Lafarge in 2003. Expiry of his term of office after the General Meeting called to approve the 2016 financial statements.

Positions held in France and abroad over the last five years

Current positions:

In France:
Director of Lafarge (listed company)

Abroad:
Chairman of the Board of Organizacion Cultiba SAB de CV (Mexico) (listed company)
Director of IDEA S.A. (Mexico)
Director of Caterpillar Inc. (USA) (listed company)
Director of Banco Santander (Mexico) (listed company)

Over the last five years that have ended, in France and abroad:

Abroad:
Director of Mexicana de Aviacion (Mexico) until 2010

IAN GALLIENNE - born on January 23, 1971 - French citizen

Avenue Marnix 24, 1000 Bruxelles, Belgium

Number of Lafarge S.A. shares held: 1,143

Experience and expertise

Director, member of the Corporate Governance and Nominations Committee, member of the Remunerations Committee

Ian Gallienne was co-opted to the Lafarge Board of Directors in 2011. Ian Gallienne has been Managing Director of Groupe Bruxelles Lambert (Belgium) since January 1, 2012. He has a degree in Management and Administration, with a specialization in Finance, from the E.S.D.E. in Paris and an MBA from Insead in Fontainebleau. He began his career in Spain, in 1992, as co-founder of a commercial company. From 1995 to 1997, he was a member of management of a consulting firm specialized in the reorganization of ailing companies in France. From 1998 to 2005, he was manager of the private equity funds Rhône Capital LLC in New York and London. In 2005, he founded the private equity funds Ergon Capital in Brussels and he was its Managing Director until 2012. He has been a Director of Groupe Bruxelles Lambert (Belgium) since 2009, of Imerys (France) since 2010, of Pernod Ricard (France) since 2012 and SGS (Switzerland) since 2013.

Ian Gallienne in particular brings to the Board his expertise in finance and management of equity investments as well as his experience as a Director of international industrial groups.

Position (appointment/renewal/expiry of term of office)

Co-optation as a Director of Lafarge in 2011. Expiry of his term of office after the General Meeting called to approve the 2015 financial statements.

Positions held in France and abroad over the last five years

Current positions:

In France:

Director of Lafarge (listed company)[(1)]
Director of Imerys (listed company)[(1)]
Director of Pernod Ricard (listed company)[(1)]

Abroad:

Director of SGS (Switzerland) (listed company)[(1)]
Managing Director of Groupe Bruxelles Lambert S.A. (Belgium) (listed company)
Director of Gruppo Banca Leonardo SpA (Italy)
Member of the Supervisory Board of Kartesia GP (Luxembourg)
Director of Erbe SA (Belgium)
Director of Ergon Capital SA (Belgium)
Managing Director of Ergon Capital II Sàrl (Luxembourg)
Director of Steel Partners NV (Belgium)

Over the last five years that have ended, in France and abroad:

In France:

Director of PLU Holding S.A.S. (until April 26, 2012)
Director of Central Parc Villepinte S.A. (until July 31, 2011)
Director of EliTech group S.A.S. (until December 31, 2011)
Director of the "Fonds de dotation du Palais" (until December 21, 2011)

Abroad:

Director of Ergon Capital Partners SA (Belgium) until March 20, 2014
Director of Ergon Capital Partners II SA (Belgium) until March 20, 2014
Director of Ergon Capital Partners III SA (Belgium) until March 20, 2014
Managing Director of Egerton Sàrl (Luxembourg) until October 3, 2013
Member of the Supervisory Board of Arno Glass Luxco SCA (Luxembourg) until April 27, 2012
Director of La Gardenia Beauty Sp. (Italy) until December 31, 2011
Director of Seves SpA. (Italy) until December 31, 2011
Director of Publihold (Belgium) until December 31, 2011

(1) *These positions are held as representative of Groupe Bruxelles Lambert S.A. Directorships in listed companies held as representative of companies in which a Director holds an executive office and whose main activity is to acquire and manage holdings do not count towards the number of directorships held, pursuant to the Afep-Medef Code.*

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MINA GEROWIN - Born on May 27, 1951 - American citizen

37 Ovington Square, SW3 1LJ, London, United Kingdom

Number of Lafarge S.A. shares held: 1,200

Experience et expertise

Director, member of the Strategy, Investment and Sustainable Development Committee

Mina Gerowin was appointed to the Lafarge Board of Directors in 2014. She is a Director of CNH Industrial NV (Netherlands) and of EXOR SpA (Italy) and a member of the Global Advisory Committee of Samsung Asset Management (South Korea).

Born in New York, Ms Gerowin has an A.B. from Smith College in Political Economy, a J.D. from the University of Virginia School of Law, an M.B.A. from Harvard Business School where she was a Baker Scholar and a D.H.L. h.c. from the University of New Haven. She practiced law in Switzerland and New York then worked as Investment Banker in International Mergers and Acquisitions at Lazard Frères in New York and Paris. Ms Gerowin formed her own consulting and investing company, completing five LBO transactions and participated in their direction as an officer and Director. After their sale she consulted internationally. Ms Gerowin joined Paulson & Co. in 2004 where she was Managing Director of Paulson Europe LLP in London until 2012.

Independent Director, Ms Gerowin brings to the Board of Directors her expertise in finance and in management of equity investments as well as her experience as a Director of an international industrial group.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2014. Expiry of her term of office after the General Meeting called to approve the 2017 financial statements.

Positions held in France and abroad over the last five years

Current positions:

In France:
Director of Lafarge (listed company)

Abroad:
Director of CNH Industrial NV (Netherlands) (listed company)
Director of EXOR SpA (Italy) (listed company))
Member of the Global Advisory Committee of Samsung Asset Management (South Korea)

Over the last five years that have ended, in France and abroad:

In France:
N/A

Abroad:
Managing shareholder of Paulson Europe LLP until 2012

JÉRÔME GUIRAUD - born on January 7, 1961 - French citizen

4 Cork Street, London W1S 3LG, United Kingdom

Number of Lafarge S.A. shares held: 3,948

Experience and expertise

Director, member of the Audit Committee

Jérôme Guiraud was appointed to the Lafarge S.A. Board of Directors in 2008. He graduated from École des Hautes Études Commerciales (HEC 1984 –Paris). Jérôme Guiraud started his career at the French Embassy in Zagreb (Croatia) in 1985 as Deputy to the Commercial Attaché. He joined the Société Générale group in the Inspection Générale department in 1986. From 1993 he has held various managing positions abroad, in Europe and in emerging countries on capital markets, then as Country manager and Director of the Société Générale group's listed subsidiaries. He joined the NNS group in 2008. He is currently Director and Chief Executive Officer of NNS Capital, Director of NNS Holding and Director of OCI NV (significant construction and fertilizer company, listed on the Euronext Amsterdam stock exchange).

Jérôme Guiraud in particular brings to the Board his expertise in finance, his experience as an executive officer and Director of international groups as well as his knowledge of Eastern Europe, Africa and the Middle East.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2008. Expiry of his term of office after the General Meeting called to approve the 2015 financial statements.

Positions held in France and abroad over the last five years

Current positions:

In France:

Director of Lafarge (listed company)

Abroad:

Director of OCI NV (Netherlands) (listed company)
Director Chief Executive Officer of NNS Capital (United Kingdom)
Director of NNS Holding Sàrl (Luxembourg)
Director of NNS (Luxembourg)
Director of OS (Luxembourg)

Over the last five years that have ended, in France and abroad:

Abroad:

Director of Orascom Construction Industries S.A.E. (Egypt) (listed company) from 2008 to 2013

LUC JEANNENEY - born on June 26, 1967 - French citizen

2 avenue du général de Gaulle, 92140 Clamart, France

Number of Lafarge S.A. shares held: 250

Number of Lafarge 2000 shares held: 270.20

(Group savings plan invested in Lafarge SA shares - see Section 6.1.4 Employee share ownership for further information)

Experience and expertise

Director - Designation by the Works Council of Lafarge S.A. in accordance with French law
Further to his designation by the Works Council of Lafarge S.A., the appointment of Luc Jeanneney as Director became effective as of November 4, 2014 for a period of four years.
Luc Jeanneney is currently the Purchasing Director for Lafarge operations in France. He joined Lafarge in 2006, being in charge of Purchasing for Latin-America (2006-2009), based in Brazil. Returning to France within the Group Purchasing Team, he has been project manager for the purchasing reporting (2010) and in charge of the Group's natural gas and liquid fuel sourcing and risk management (2011-2012).
He is an elected member of the Supervisory board of Lafarge employee funds: FCPE Lafarge 2000 (since 2012, for a four year term) and FCPE Plan d'Epargne Groupe & PERCO (since 2013, for a four year term).
Previously, he worked for PSA Peugeot Citroën as purchasing project manager (1996-2001) and Purchasing Director for Brazil and Argentina (2002-2005).
Luc Jeanneney has an Engineering degree (Ecole des Mines d'Alès – 1989), he graduated from the Ecole Supérieure des Sciences Economiques et Commerciales (ESSEC – 1992) and completed a master degree in political sciences (IPLH Paris – 2014).
Luc Jeanneney in particular brings to the Board his vision as employee as well as his knowledge of the Group and its businesses, in particular through his experience in Purchasing, as well as his knowledge of Brazil and Latin America in general.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2014. Expiry of his term of office in November 2018.

Positions held in France and abroad over the last five years

Current positions:

In France:
Director of Lafarge (listed company)
Member of the Supervisory board of Lafarge 2000
Member of the Supervisory board of FCPE Plan d'Epargne Groupe Lafarge & PERCO
Abroad:
N/A

Over the last five years that have ended, in France and abroad:
N/A

GÉRARD LAMARCHE - born on July 15, 1961 - Belgian citizen

Avenue Marnix 24, 1000 Bruxelles, Belgium

Number of Lafarge S.A. shares held: 1,143

Experience and expertise

Director, member of the Audit Committee, member of the Strategy, Investment and Sustainable Development Committee

Gérard Lamarche was appointed to the Lafarge Board of Directors in 2012. He graduated from the University of Louvain-la-Neuve with a Bachelor's degree in Economics. He also completed the Advanced Management Program for Suez Group Executives at the Insead Business School and took part in the 1998-99 Wharton International Forum (Global Leadership Series). He began his professional career in 1983 with Deloitte Haskins & Sells in Belgium, and became M&A Consultant in the Netherlands in 1987. In 1988, he joined the Venture Capital department of Société Générale de Belgique as Investment manager. He was promoted to Controller in 1989, and in 1992 was appointed Advisor to the Director of Strategic Planning. He became Special Projects Advisor to the President and Secretary of the Suez Board of Directors (1995-1997) and was later appointed the new group's Senior Vice-President in charge of Planning, Control and Accounts Management. In 2000, Mr Gérard Lamarche joined NALCO (American subsidiary of the Suez group and world leader in industrial water treatment) as Director, Senior Executive Vice-President and CFO. He was appointed CFO of the Suez group in March 2004.

Gérard Lamarche was appointed Director of Groupe Bruxelles Lambert (GBL) (Belgium) in April 2011, of which he is also Managing Director since January 1, 2012. Gérard Lamarche is also a Director of Legrand, Total and SGS (Switzerland) as well as censor of GDF Suez.

Gérard Lamarche in particular brings to the Board his expertise in finance and management of equity investments as well as his experience as an executive officer and Director of international industrial groups.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2012. Expiry of his term of office after the General Meeting called to approve the 2015 financial statements.

Positions held in France and abroad over the last five years

Current positions:

In France:

Director of Lafarge (listed company)[1]
Director of Legrand (listed company)
Director of Total S.A. (listed company)[1]
Censor of GDF Suez (listed company)[1]

Abroad:

Managing Director of Groupe Bruxelles Lambert S.A. (Belgium) (listed company)
Director of SGS (Switzerland) (listed company)[1]

Over the last five years that have ended, in France and abroad:

In France:

Director of Suez Environnement Company (from May 19, 2011 until December 21, 2011)
Director of GDF Suez Energy Services (from September 15, 2005 until June 16, 2011)
Director of Suez Environnement (from April 20, 2004 until October 28, 2010)

Abroad:

Director of Electrabel (Belgium) until December 31, 2011
Director of International Power plc (United Kingdom) (listed company) until December 8, 2011
Director of Europalia International (Belgium) until November 13, 2011
Director of GDF Suez Belgium until October 1, 2011
Director of Sociedad General de Aguas de Barcelona (Spain) until June 28, 2011
Director of Suez-Tractebel S.A. (Belgium) until January 25, 2011
Director of Fortis Banque S.A. (Belgium) until July 2, 2010

(1) *These positions are held as representative of Groupe Bruxelles Lambert S.A.Directorships in listed companies held as representative of companies in which a Director holds an executive office and whose main activity is to acquire and manage holdings do not count towards the number of directorships held, pursuant to the Afep-Medef Code.*

HÉLÈNE PLOIX - born on September 25, 1944 - French citizen

162, rue du Faubourg-Saint-Honoré, 75008 Paris, France

Number of Lafarge S.A. shares held: 2,883

Experience and expertise

Director, Chairman of the Audit Committee (until February 18, 2014), member of the Strategy, Investment and Sustainable Development Committee

Hélène Ploix was appointed to the Lafarge Board of Directors in 1999. Hélène Ploix is Chairman of Pechel Industries SAS and Pechel Industries Partenaires SAS. She is also Chairman of FSH SAS. She was previously Deputy Chief Executive Officer of Caisse des Dépôts et Consignations (CDC) and Chairman and Chief Executive Officer of CDC Participations from 1989 to 1995, Chairman of the Caisse Autonome de Refinancement and Chairman of the Supervisory Board of CDC Gestion. She previously served as Special Counsel for the single currency at KPMG Peat Marwick from 1995 to 1996 and as Director of Alliance Boots plc (United Kingdom) from 2000 to July 2007 and Director of BNP Paribas from 2003 to May 2014. She is a member of the Supervisory Board of Publicis groupe, a Director of Sofina (Belgium), Genesis Emerging Markets Fund Limited (Guernsey) and, as Pechel Industries Partenaires' permanent representative, she is also a Director of SES (Store Electronic System).

Independent Director, Hélène Ploix in particular brings to the Board her recognized expertise in finance and her experience as an executive officer and Director of international industrial groups. The Board also benefits from her extensive knowledge of the Group, which she accompanies since 1999.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge S.A. in 1999. Expiry of her term of office after the General Meeting called to approve the 2016 financial statements.

Positions held in France and abroad over the last five years

Current positions:

In France:

Director of Lafarge (listed company)
Member of the Supervisory Board of Publicis group (listed company)
Director of SES (Store Electronic Systems) (representing Pechel Industries Partenaires) (listed company)(1)
Chairman of Pechel Industries SAS
Chairman of Pechel Industries Partenaires SAS
Chairman of FSH SAS
Chairman of Sogama Crédit Associatif
Manager of Hélène Ploix SARL
Manager of HMJ (Hélène Marie Joseph) SARL
Manager of Sorepe Société Civile

Abroad:

Director of Ferring S.A. (Switzerland)
Director of Sofina (Belgium) (listed company)
Director of Genesis Emerging Markets Fund Limited (Guernsey) (listed company)

Over the last five years that have ended, in France and abroad:

In France:

Director of BNP Paribas (listed company) until May 2014
Manager of Goëmar Holding until March 2014
Director of Ypso Holding S.A. (as legal representative of Pechel Industries Partenaires) until October 2013
Member of the Supervisory Board of Goëmar Développement (as permanent representative of Pechel Industries Partenaires SAS) until 2013
Member of the Supervisory Board of Laboratoires Goëmar (as permanent representative of Pechel Industries Partenaires SAS) until 2013

Abroad:

Director of Completel NV (Netherlands) (end of term of office December 31, 2010)

(1) *Directorships in listed companies held as representative of companies in which a Director holds an executive office and whose main activity is to acquire and manage holdings do not count towards the number of directorships held, pursuant to the Afep-Medef Code.*

BAUDOUIN PROT - born on May 24, 1951 - French citizen

3 rue d'Antin,
75002 Paris, France

Number of Lafarge S.A. shares held: 1,250

Experience and expertise

Director, member of the Corporate Governance and Nominations Committee, member of the Strategy, Investment and Sustainable Development Committee

Baudouin Prot was appointed to the Lafarge S.A. Board of Directors in 2011. He was previously Chairman of BNP Paribas from December 2011 to December 2014. After graduating from the French business school HEC in 1972 and from ENA in 1976, Baudouin Prot joined the French Ministry of Finance where he stayed for four years. He then became Deputy Director of Energy and Raw Materials at the French Ministry of Industry for three years. He joined BNP in 1983 as Deputy Director of the intercontinental branch of Banque Nationale de Paris and became Director for Europe in 1985. In 1987, he joined the Central Networks department, was promoted to Central Director in 1990, and became Executive Vice-President of BNP in charge of networks in 1992. Baudouin Prot was appointed Chief Executive Officer of BNP in 1996 and Chief Operating Officer (Directeur général délégué) of BNP Paribas in 1999. In May 2000, he was appointed Director and Chief Operating Officer (Directeur général délégué) of BNP Paribas, and became Director and Chief Executive Officer of the bank in May 2003. Baudouin Prot is also a Director of Kering and Veolia Environnement.

Independent Director, Baudouin Prot in particular brings to the Board his expertise in finance and banking and his experience as an executive officer and Director of international groups.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2011. The renewal of his term of office will be proposed at the General Meeting convened on May 7, 2015.

Positions held in France and abroad over the last five years

Current positions:

In France:
Director of Lafarge (listed company)
Director of Kering (listed company)
Director of Veolia Environnement (listed company)

Abroad:
N/A

Over the last five years that have ended, in France and abroad:

In France:
Director and Chairman of BNP Paribas (listed company) (until December 1, 2014)
Chairman of the "Fédération Bancaire Française" (from September 2009 to August 2010)

Abroad:
Director of Pargesa Holding S.A. (Switzerland) (listed company) (until May 2014)
Director of Erbé S.A. (Belgium) until December 2013

CHRISTINE RAMON - Born on April 16, 1967- South African citizen

44 Kloof Road, Bedfordview, 2007, Johannesburg, South Africa

Number of Lafarge S.A. shares held: 1,200

Experience et expertise

Director of the Board, member of the Audit Committee

Christine Ramon was appointed to the Lafarge Board of Directors in 2014. She is Chief Financial Officer and Executive Director of the Board of AngloGold Ashanti Limited (South Africa) listed both on the JSE in South Africa and on the NYSE.

She was an Executive Director and the Chief Financial Officer of Sasol Limited, an international integrated energy and chemical company listed in South Africa and New York, from 2006 to 2013. Previously she served as Chief Executive and Financial Director of Johnnic Holdings Limited (South Africa) and Non-Executive Director of Transnet Limited (South Africa).

Ms Ramon is a Chartered Accountant and completed the Senior Executive Programme at Harvard Business School (United States). She currently serves as Deputy Chair of the Financial Reporting Standards Council in South Africa and also previously served as a member of the Financial Reporting Investigations Panel in South Africa. Ms Ramon served as Chairman of the CFO Forum of the Top 40 listed companies in South Africa from 2011 until 2013. She was previously a member of the Standing Advisory Committee to the International Accounting Standards Board.

Independent Director, Ms Ramon brings to the Board of Directors her experience as a Director and executive officer of an international industrial group, her expertise in finance and in the extraction sector as well as her knowledge of Africa.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2014. Expiry of her term of office after the General Meeting called to approve the 2017 financial statements.

Positions held in France and abroad over the last five years

Current positions:

In France:
Director of Lafarge (listed company)

Abroad:
Chief Financial Officer and Executive Director of the Board of AngloGold Ashanti (South Africa) (listed company)
Non Executive Director of MTN Group Limited (listed company)
Deputy Chairperson of the Financial Reporting Standards Council in South Africa

Over the last five years that have ended, in France and abroad:

In France:
N/A

Abroad:
Director of Sasol Limited (South Africa) (listed company) until 2013
Positions in various subsidiaries of the Sasol group until 2013
Director of Transnet Limited (South Africa) until 2010

MICHEL ROLLIER - born on September 19, 1944 - French citizen

27, cours de l'Ile Seguin, 92100 Boulogne-Bilancourt, France

Number of Lafarge S.A. shares held: 1,758

Experience and expertise

Director, Chairman of the Audit Committee (since February 18, 2014), member of the Corporate Governance and Nominations Committee, member of the Strategy, Investment and Sustainable Development Committee
Michel Rollier was appointed to the Lafarge Board of Directors in 2008. Since May 2012, he has been Chairman of Plateforme de la Filière Automobile (PFA). He is also Chairman of the Supervisory Board of Michelin, Chairman of the Supervisory Board of Somfy S.A. and Chairman of the Board of Directors of Siparex Associés.
Michel Rollier graduated from the Institut d'études politiques (1967) and the Université de Droit of Paris (1968). He previously held several positions with Aussedat-Rey (International Paper group) starting in 1971, including controller until 1982, Unit Operational manager from 1982 to 1987, Chief Financial Officer between 1987 and 1994 and Deputy Managing Director from 1994 to 1996. Michel Rollier joined Michelin in 1996 as Chief Legal Officer and Head of Financial Operations. He was appointed member of the Michelin group Executive Council and Chief Financial and Legal Officer in 1999 before being appointed as Managing Partner of the Compagnie Générale des Établissements Michelin in May 2005 until May 2012.
Michel Rollier is also a member of the High Committee of Corporate Governance set up in October 2013 following the latest amendments to the Afep-Medef Code.
Independent Director, Michel Rollier in particular brings to the Board his expertise in finance and corporate governance, as well as his experience as an executive officer and Director of international industrial groups.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2008. Expiry of his term of office after the General Meeting called to approve the 2015 financial statements.

Positions held in France and abroad over the last five years

Current positions:

In France:
Director of Lafarge (listed company)
Chairman of the Supervisory Board of Michelin
Chairman of the Supervisory Board of Somfy S.A. (listed company)
Chairman of the Board of Directors of Siparex Associés
Chairman of Plateforme de la Filière Automobile (PFA)

Over the last five years that have ended, in France and abroad:

In France:
Managing Partner of the Compagnie Générale des Établissements Michelin (listed company) (until May 2012)
Director of Moria (until September 2011)

Abroad:
Managing Partner of la Compagnie Financière Michelin (Switzerland) (until May 2012)

NASSEF SAWIRIS - born on January 19, 1961 - Egyptian citizen

Mijnweg, 6167 AC Geleen, Netherlands

Number of Lafarge S.A. shares held: 1,671 (this figure does not take into account the shares owned by NNS Holding Sàrl)

See Section 6.1.1 (Major shareholders)

Experience and expertise

Director, member of the Corporate Governance and Nominations Committee, member of the Remunerations Committee, member of the Strategy, Investment and Sustainable Development Committee
Nassef Sawiris was appointed to the Lafarge Board of Directors in January 2008.
Nassef Sawiris is a Director and the Chief Executive Officer of OCI N.V. (the Netherlands). He joined the Orascom Group in 1992, became the Chief Executive Officer of OCI N.V.'s predecessor, Orascom Construction Industries (OCI S.A.E.) (Egypt), in 1998 and was also appointed Chairman of OCI S.A.E. in 1999. Mr Sawiris is also a Director of OCI Partners LP (USA) and of the BESIX group (Belgium). Mr Sawiris served on the Board of Directors of the Cairo & Alexandria Stock Exchanges (Egypt) from 2004-2007 and was also a Director of the Nasdaq DIFX (Dubai). Nassef Sawiris holds a BA in Economics from the University of Chicago, USA.
Nassef Sawiris in particular brings to the Board his expertise as an entrepreneur and business developer as well as his experience as an executive officer and Director of international industrial groups. The Board also benefits from his extensive knowledge of Africa and the Middle East and of the Group's businesses.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2008. Expiry of his term of office after the General Meeting called to approve the 2015 financial statements.

Positions held in France and abroad over the last five years

Current positions:

In France:
Director of Lafarge (listed company)

Abroad:
Director and Chief Executive Officer of OCI N.V. (The Netherlands) (listed company)
Director of OCI Partners LP (USA) (listed company)
Director of BESIX (Belgium)

Over the last five years that have ended, in France and abroad:

Abroad:
Chairman and Chief Executive Officer of Orascom Construction Industries S.A.E. (OCI) (Egypt) (listed company) until 2013
Director of NNS Holding Sàrl (Luxembourg) until 2013
Director of Nasdaq DIFX (Dubai International Stock Exchange) (United Arab Emirates) until 2011
Chairman of Lafarge Cement Egypt S.A.E. (Egypt) and positions in various subsidiaries of the Group until 2012
Director and General Manager of several subsidiaries of OCI Group (Egypt)

EWALD SIMANDL - born on February 15, 1959 - Austrian citizen

Gumpendorfer Straße 19-21, AT-1060 Vienna, Austria

Number of Lafarge S.A. shares held: 213

Experience and expertise

Director - Designation by the European Works Council in accordance with French law; member of the Remunerations Committee

Further to his designation by the European Works Council of the Lafarge Group, the appointment of Ewald Simandl as Director became effective as of November 4, 2014 for a period of four years.

Ewald Simandl is a highly committed specialist in IT with great experience in the development and networking of computer systems. His strengths are in analyzing, defining and implementing business processes, where his knowledge in business is a perfect addition.

In 1986, he began his career in the former "Perlmooser Zementwerke AG" in Vienna, which was bought in 1996 by Lafarge. His key responsibilities are Organization, Planning and Programming of business processes in a SAP-System, ongoing training for users as well as defining and leading national and international projects.

Ewald Simandl brings to the Board of Directors his vision as an employee as well as his knowledge of the Group and its businesses and his expertise in IT transformation projects.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2014. Expiry of his term of office in November 2018.

Positions held in France and abroad over the last five years

Current positions:

In France:
Director of Lafarge (listed company)

Abroad:
N/A

Over the last five years that have ended, in France and abroad:

N/A

VÉRONIQUE WEILL - born on September 16, 1959 - French citizen

25, avenue Matignon, 75008 Paris, France

Number of Lafarge S.A. shares held: 1,200

Experience and expertise

Director, member of the Audit Committee, member of the Remunerations Committee
Véronique Weill was appointed to the Lafarge Board of Directors in 2010.
Véronique Weill is a graduate of the Institut d'études politiques de Paris and of the Université la Sorbonne (Licence de Lettres). She spent more than 20 years at J.P. Morgan and has notably served as Group head of Operations for Investment Banking and global head of IT & Operations for Asset Management and Private Clients. Véronique Weill joined AXA in June 2006 as a Chief Executive Officer of AXA Business Services and Group Executive Vice-President of Operational Excellence. In January 2008, she was appointed Executive Vice-President IT and Operational Excellence of the Group. Since January 1, 2009, Véronique Weil is a member of the Executive Committee of the AXA Group and since December 2009, she has been Chief Operating Officer of AXA. She is now in charge of Group Marketing, Distribution, IT, Operational Excellence, Procurement and GIE AXA (headquarters' shared services). Véronique Weill is a member of the AXA Research Fund Scientific Committee. As from January 1, 2013, Véronique Weill is a member of the Management Committee of the AXA Group.
Independent Director, Véronique Weill in particular brings to the Board her expertise in finance, her knowledge of corporate functions and her experience as an executive officer of an international group.

Position (appointment/renewal/expiry of term of office)

Appointment as Director of Lafarge in 2010. Expiry of her term of office after the General Meeting called to approve the 2017 financial statements.

Positions held in France and abroad over the last five years

Current positions:

In France:
Director of Lafarge (listed company)
Director of AXA Assistance S.A.
Member of the Executive Committee of AXA Group Solutions (SAS)
Chairman of the Supervisory Board of GIE AXA
Member of the Supervisory Board of GIE AXA Group Solutions
Chairman and member of the Executive Committee, AXA Technology Services (SAS)
Permanent representative of Vamopar on the Board of FamilyProtect
Permanent representative of AXA on the Board of AXA France IARD and AXA France Vie

Abroad:
Director of AXA Business Services Private Ltd. (India)

Over the last five years that have ended, in France and abroad:

N/A

SUMMARY OF EXPIRY OF TERM OF OFFICE OF LAFARGE DIRECTORS

Directors	2015 (General Meeting called to approve the 2014 financial statements)	2016 (General Meeting called to approve the 2015 financial statements)	2017 (General Meeting called to approve the 2016 financial statements)	2018 (General Meeting called to approve the 2017 financial statements)
Bruno Lafont			◆	
Oscar Fanjul			◆	
Philippe Charrier			◆	
Philippe Dauman	◆			
Paul Desmarais, Jr.		◆		
Juan Gallardo			◆	
Ian Gallienne		◆		
Mina Gerowin				◆
Jérôme Guiraud		◆		
Luc Jeanneney				◆ (1)
Gérard Lamarche		◆		
Hélène Ploix			◆	
Baudouin Prot	◆			
Christine Ramon				◆
Michel Rollier		◆		
Nassef Sawiris		◆		
Ewald Simandl				◆ (2)
Véronique Weill				◆

(1) *Director representing employees nominated by the Works Council of Lafarge S.A. and whose appointment became effective at the Board of Directors' meeting held on November 4, 2014, for a period of four years until November 4, 2018.*

(2) *Director representing employees nominated by the European Works Council and whose appointment became effective at the Board of Directors' meeting held on November 4, 2014, for a period of four years until November 4, 2018.*

b) Number of directorships

The Afep-Medef Code recommends that non-executive Directors should not hold more than five directorships in listed companies in total, including foreign entities. This recommendation applies at the time of appointment or on the next renewal of the term of office of a Director.

Directorships in listed companies held as representative of companies in which a Director holds an executive office and whose main activity is to acquire and manage holdings do not count towards the number of directorships held, pursuant to the Afep-Medef Code. As a result, the number of directorships in listed companies held by Mr Desmarais, Jr. is in line with the limitations recommended by the Afep-Medef Code.

For further information on the number of directorships in listed companies held by each Director, please refer to the overview table in Section 3.1 (Board of Directors – Corporate Officers).

c) Sanctions applicable to the Directors

To the Company's knowledge, no Director was, over the previous five years, convicted of fraud, involved in a bankruptcy, receivership or liquidation, subject to official public incrimination and/or sanctions, or disqualified by a court from acting as Director or in management or conducting the affairs of any issuer.

3.1.4 INDEPENDENT DIRECTORS – PARITY AND DIVERSITY WITHIN THE BOARD[1]

a) Independence

Directors qualified as independent	
Philippe Charrier	Hélène Ploix
Philippe Dauman	Baudouin Prot
Oscar Fanjul	Christine Ramon
Juan Gallardo	Michel Rollier
Mina Gerowin	Véronique Weill
Percentage of independent Directors: 62.5%	

(1) *G4-40.*

Directors non-qualified as independent/justification[1]	
Bruno Lafont	Corporate officer of Lafarge S.A. – Chairman and Chief Executive Officer.
Paul Desmarais, Jr. Ian Gallienne Gérard Lamarche	Connected to Groupe Bruxelles Lambert, a shareholder holding more than 10% of the capital and voting rights of the Company.
Jérôme Guiraud Nassef Sawiris	Connected to NNS Holding Sàrl, a shareholder holding more than 10% of the capital and voting rights of the Company.

(1) *Excluding Directors representing employees.*

In accordance with the recommendations of the Afep-Medef Code and the Board's internal regulations, the Board regularly reviews the situation of the Directors in light of the independence criteria. As a reminder, the Afep-Medef Code provides that Directors representing employees are not to be taken into account when assessing the independence of the Board.

The Board of Directors, after an individual assessment of each Director's situation in light of the independence criteria applicable to the Company, considers that ten Directors, out of the 16 members of the Board included in the calculation basis (ie: excluding Directors representing employees), are independent, which corresponds to 62.5% of the Board being constituted of independent Directors[1].

In accordance with the recommendations of the Afep-Medef Code, the Board's internal regulations provide that a majority of the members of the Board, the Corporate Governance and Nominations Committee and the Remunerations Committee must qualify as "independent", and that at least two-thirds of the members of the Audit Committee must qualify as "independent".

The Board of Directors considers that the composition of the Board and its Committees is compliant with its internal regulations.

The formal non-qualification as "independent Director" in no way challenges the professionalism or freedom of judgment that characterize all Directors, including Directors representing employees.

See Section 3.2.2 (Board of Directors' Committees) for more information on the involvement of independent Directors in the Committees.

b) Independence criteria

The Board of Directors has applied the following recommendations of the Afep-Medef Code in its assessment of independent Directors:

- not to be an employee or Corporate Officer of the Company, or an employee or Director of its parent or a company that it consolidates and not having been in such a position over the previous five years;
- not to be a Corporate Officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or a Corporate Officer of the Company (currently in office or having held such office going back five years) is a Director;
- not to be a customer, supplier, investment banker or commercial banker:
  - that is material for the Company or its group,
  - or for a significant part of whose business the Company or its group accounts;
- not to be related by close family ties to a Corporate Officer;
- not to have been an auditor of the Company over the previous five years;
- not to have been a Director of the Company for more than twelve years;
- finally, with respect to Board members representing shareholders holding 10% or more of the capital or voting rights of the Company, the Afep-Medef Code provides that the Board should systematically examine their qualifications as independent Directors. The Directors of Lafarge linked to the Company's two major shareholders (Groupe Bruxelles Lambert and NNS Holding) are not classified as independent Directors.

The Board of Directors did not apply the recommended 12-year limitation on length of service as Director. The Board considers that in a long-term business such as ours, where management is stable, serving as Director for a long period of time can bring more experience and authority, increasing the Directors' independence. To date Mrs Hélène Ploix has been a Director of Lafarge S.A. for over 12 years. The Board however considers that, particularly in light of the effective contribution of the Mrs Ploix to the work of the Board, of her extremely rigorous approach and great professionalism, Mrs Ploix classifies as an independent Director. It is specified that in addition to Mrs Ploix the Board of Directors is composed of nine independent Directors out of 16 members (excluding Directors representing employees) and that the Board of Directors remains composed of a majority of independent Directors whatever the position on the 12-year length of service criteria. In addition, Mrs Ploix no longer chairs the Audit Committee since the Board of February 18, 2014.

c) Materiality tests on business relationships between the Company and its Directors

During the annual review of the classification of Directors as independent, the Corporate Governance and Nominations Committee as well as the Board of Directors, during their meetings on February 17, 2015, conducted various materiality tests on business relationships between the Company and some of its Directors. These tests consist in verifying that the value of transactions between the Company and one of its Directors or a company with which such Director is associated (as customer, supplier, investment banker or commercial banker) does not exceed specific thresholds, which have been set in advance, of the Group's revenues, equity, assets or debt.

In particular, the Board reviewed the relationship between Lafarge and BNP Paribas, one of the Group's corporate and investment banks, of which Baudouin Prot was Chairman until December 1, 2014. Lafarge can rely on a pool of competitive banks preventing the likelihood of a relationship of dependency on BNP Paribas. Likewise, the fees that BNP Paribas receives from the Group account for an infinitesimal percentage of the bank's revenues and do not create a relationship of dependency for Lafarge. In addition, the results of the materiality test show that the value of the committed credit facilities of BNP Paribas towards the Group represents less than 5% of the Group's gross debt, while the value of the transactions between the Company and BNP Paribas is less than 1% of the revenues, less than 10% of the equity and less than 5% total assets of both the Group and BNP Paribas.

In light of these factors, and given the independent thinking that Baudouin Prot has shown in his capacity as Director, the Board considers him to be an independent Director.

(1) *The rate of independent Directors on the Board taking into account Directors representing employees in the calculation basis amounts to 55%, which remains in line with the Afef-Medef Code recommendations.*

The Board of Directors also conducted materiality tests on the business relationships existing between the Company and AXA, of which Véronique Weill is a member of the Group Executive Committee. The results of these tests showed that the value of the transactions between the Company and AXA is less than 1% of the revenues, less than 10% of the equity and less than 5% of the total assets of the Group and AXA. The Board of Directors therefore resolved to classify Véronique Weill as independent Director.

None of the Directors classified as independent by the Board has direct or indirect business relationships with the Company or the Group which would be sufficiently significant to disqualify them as Independent Director.

d) Management of conflicts of interests[1]

LEGAL FRAMEWORK:

Agreements entered into between a public limited liability company and its corporate officers are subject to dual control: prior approval of the Board, followed by a vote by the General Meeting following the reading of a special report of the statutory auditors (article L. 225-38 et *seq.* of the French Commercial Code).

The French regulatory authority, the AMF, recommends that related-party agreements which have a continuing effect should be reviewed by the Board on an annual basis.

As provided in the Lafarge S.A. Director's Charter, a Director is required to inform the Board of any situation involving a conflict of interests, even one of a potential nature, and must refrain from taking part in any vote on any resolution of the Board where he finds himself in any such situation.

The Charter also provides that Directors are required to inform the Chairman promptly of any relations that may exist between the companies in which they have a direct interest and the Company. The Directors must also, in particular, notify the Chairman of any agreement covered by article L. 225-38 *et seq.* of the French Commercial Code that either they themselves, or any company of which they are Directors or in which they either directly or indirectly hold a significant number of shares, have entered into with the Company or any of its subsidiaries (related-party agreements). These provisions do not apply to agreements made in the ordinary course of business.

During 2014, two related-party undertakings have received prior approval of the Board during its meeting held on April 5, 2014 as part of the announced merger project between Lafarge and Holcim.

Under the terms of these undertakings entered into on April 6, 2014, both Groupe Bruxelles Lambert on the one hand and Mr Nassef Sawiris and NNS Holding Sàrl on the other hand, have undertaken to tender all of their Lafarge shares held as at April 6, 2014 (ie: 60,308,408 Lafarge shares for Groupe Bruxelles Lambert and 40,064,682 Lafarge shares in aggregate for Mr Nassef Sawiris and NNS Holding Sàrl) to the public exchange offer to be initiated by Holcim on Lafarge S.A., as well as any further Lafarge shares that they may acquire in the future.

For further information on these undertakings, see Section 6.1.2 (Shareholders' agreement and shareholders undertakings).

In addition, during its meeting on February 17, 2015, the Board of Directors conducted a review of related-party agreements approved during the 2014 fiscal year described above as well as agreements approved in prior years that had a continuing effect in 2014. None of these agreements gave rise to payments in 2014, with the exception of the insurance contracts with Cardif Assurance Vie (a BNP Paribas subsidiary) as specified in the special report of the statutory auditors. One of these insurance contracts with Cardif Assurance Vie has also been reclassified as no longer being a related-party agreement, in view of Mr Bruno Lafont not being a potential beneficiary of the pension plan covered by this insurance contract, the lack of common directors between Lafarge and BNP Paribas since December 31, 2014 and in light of the usual terms and conditions of the agreement.

Finally, during its meeting of March 11, 2015, the Board of Directors approved amendments to the two French supplementary pension plans and related insurance contracts. Amendments to the Plan's rules are necessary in order to maintain past-service pension rights for eligible beneficiaries who would be localized within LafargeHolcim in Switzerland following the completion of the proposed merger between Lafarge and Holcim Ltd. These amendments do not lead to any increase of pension rights granted to Mr Bruno Lafont. Such amendments constitute new related-party agreements subject to the approval of shareholders at the General Meeting to be held on May 7, 2015.

See the special report of the statutory auditors on related-party agreements and commitments on page F105 as well as Note 30 (Related parties) to the consolidated financial statements for more information.

See Section 3.1.5 (Director's charter).

The internal regulations of the Board of Directors specify that the Vice-Chairman's duties include, as part of his role of monitoring corporate governance-related issues, coordinating within the Corporate Governance and Nominations Committee the proper implementation of procedures to identify, analyze and provide information about situations that could possibly fall within the scope of the management of conflicts of interest within the Board.

On the number of corporate offices held by Directors, the internal regulations of the Board of Directors provide that the Corporate Governance and Nominations Committee and the Board of Directors must give their prior approval before the Chief Executive Officer accepts a corporate office of a listed company that does not belong to the Group.

In addition, all Directors certify on an annual basis the existence, or absence, of specific items and indicate that there are no potential conflicts of interests between their duties as a Director and their private interests or other duties.

To the best of Lafarge's knowledge, there are no conflicts between the duties of the Group Board members and their private interests and other duties.

Lafarge has not entered into service contracts providing for the granting of future benefits.

(1) *G4-41.*

e) Parity and diversity – Selection process

INDICATORS

	2014	2013
Number of non-French nationals	9[(1)]	6
% of non-French nationals	50%	40%
Number of women	4[(1)]	3
% of women	25%[(2)]	20%

(1) *Information as of the date of filing of this Registration Document.*
(2) *Excluding Directors representing employees.*

The Board of Directors of Lafarge S.A. is composed of members with largely international profiles, resulting from their professional experience.

Half of the Directors are non-French nationals. Each Director brings to the Board of Directors diverse expertise and experiences which contribute to the diversity of the Board.

See Section 3.1.3 (Information on Directors) for a detailed presentation of the respective management experience and expertise of the Directors.

During its self-assessment conducted at the beginning of 2013, the Board of Directors considered that its composition was adapted to the situation of the Group, noting the good diversity of its membership while achieving the necessary balance between Directors qualified as independent and representative of significant shareholders. These findings were reiterated during the self-assessment conducted at the beginning of 2015, it being also noted that the Directors representing employees appointed in November 2014 also contributed further to diversify the Board.

In addition, and with the support of the Corporate Governance and Nominations Committee, the Board of Directors is aiming at increasing the number of women on the Board.

To sustain this diversity while accelerating gender parity on the Board in light of the directorships coming up for renewal, the Corporate Governance and Nominations Committee has put in place a selection process to identify and select candidates for board membership.

The proportion of women elected to the Board currently stands at 25%, with four women out of the 16 members (excluding Directors representing employees) composing the Board of Directors (against 20% in 2013), this increase being in line with the objective of accelerating gender parity on the Board.

If the proposed resolutions put to the General Meeting convened on May 7, 2015 are passed, the composition of the Board will remain at 16 members (excluding Directors representing employees), of which 25% are women.

LEGAL FRAMEWORK:

The law provides, under the balanced representation of women and men on Boards of Directors, that Boards of Directors of listed companies should comprise at least 20% women in 2014 and 40% in 2017 (article L. 225-18-1 of the French Commercial Code). The Afep-Medef Code recommends attaining the same percentages one year earlier.

Directors representing employees are not to be taken into account when assessing compliance with the above provisions (article L. 225-27 of the French Commercial Code).

3.1.5 DIRECTOR'S CHARTER AND ACTIVITY REPORT OF THE VICE-CHAIRMAN (LEAD INDEPENDENT DIRECTOR)

The full text of the Lafarge S.A. Director's Charter is set out below. It is also available on-line at www.lafarge.com.

Preamble

In accordance with the principles of corporate governance, a Director carries out his duties in good faith, in such a manner as, in his opinion, best advances the interests of the Company, applying the care and attention expected of a normally prudent person in the exercise of such office.

COMPETENCE

Before accepting office, a Director must ascertain that he is acquainted with the general and specific obligations assigned to him. He must, in particular, acquaint himself with legal and statutory requirements, the Company articles of association (*statuts*), current internal rules and any supplementary information that may be provided to him by the Board.

DEFENDING CORPORATE INTEREST

A Director must be an individual shareholder and hold the number of Company shares required by the articles of association (*statuts*), *i.e.*, a number representing in total a nominal value of at least 4,572 euros which amounts to 1,143 shares, recorded in the share register in nominal form. *(This obligation to hold a minimum number of company shares does not apply to the Directors representing employees)*.

Every Director represents the body of shareholders and must in all circumstances act in their interest and in that of the Company.

CONFLICTS OF INTEREST

A Director is required to inform the Board of any situation involving a conflict of interests, even one of a potential nature, and must refrain from taking part in any vote on any resolution of the Board where he finds himself in any such situation.

DILIGENCE

A Director must dedicate the necessary time and attention to his office, while respecting the legal requirements governing the accumulation of several appointments. He must be diligent and take part, unless impeded from doing so for any serious reason, in all meetings of the Board and, where necessary, in any Committee to which he may belong.

INFORMATION-CONFIDENTIALITY

A Director is bound by obligation to keep himself informed to be able to contribute in a useful manner to the issues under discussion on the Board agenda.

With regard to information outside of the public domain and which he has acquired while in office, a Director must consider himself bound by a duty of confidentiality, which goes beyond the simple obligation to maintain discretion as provided for by law.

TRAINING[(1)]

Every Director may, in particular at the time of his election to the Board and where he deems it necessary, take advantage of training on specific aspects of the Company and the Group, its business activities, field of activity, organization and particular financial circumstances.

LOYALTY

A Director is bound by an obligation of loyalty. He must not, under any circumstances, do anything liable to damage the interests of the Company or those of any of the other companies in the Group. He may not personally take on any responsibilities, within any undertakings or businesses having any activity competing with those of Lafarge without first notifying the Board of Directors thereof.

PRIVILEGED INFORMATION – TRADING IN SHARES

A Director must not carry out any transactions involving Company shares except within the framework of the rules determined by the Company. He must make a statement to Lafarge S.A. concerning any transactions involving Lafarge shares carried out by him within five days of any such transaction.

A Director undertakes, in all circumstances, to maintain his independence of thought, judgment, decision and action and will resist all pressure, whatever the nature or origin.

A Director undertakes to refrain from seeking or accepting from the Company, or any other company linked to it, either directly or indirectly, any personal benefits likely to be deemed to be of such a nature as might compromise his freedom of judgment.

AGREEMENTS IN WHICH DIRECTORS HAVE AN INTEREST

The Directors are required to inform the Chairman promptly of any relations that may exist between the companies in which they have a direct interest and the Company. The Directors must also, in particular, notify the Chairman of any agreement covered by article L. 225-38 *et seq.* of the French Commercial Code that either they themselves, or any company of which they are Directors or in which they either directly or indirectly hold a significant number of shares, have entered into with the Company or any of its subsidiaries. These provisions do not apply to agreements made in the ordinary course of business.

INFORMATION FOR DIRECTORS

The Chairman ensures that the Directors receive in a timely manner, the information and documents needed to perform the full extent of their duties. Similarly, the Chairman of each of the said Committees ensures that every member of his Committee has the information needed to perform his duties.

Prior to every meeting of the Board (or of every Committee), the Directors must thus receive in a timely manner a file setting out all the items on the agenda. Any Director who has been unable to consider the issues fully because he has not been fully apprised of the issue has to inform the Board and insist on receiving the critical information. Generally, every Director receives all the information necessary to perform his duties and may arrange to have all the relevant documents delivered to him by the Chairman. Similarly, the Committee Chairmen must supply the members of the Board, in a timely manner, with the reports they have prepared within the scope of their duties.

The Chairman ensures that members of the Board are apprised of all the principal relevant items of information, including any criticism concerning the Company, in particular, any press articles or financial research reports.

Meetings, during which any Director may make presentations and discuss with the Directors his field of activity, are held on a regular basis by the Chairman during or outside Board meetings.

Every Director is entitled to request from the Chairman the possibility of special meetings with Group management in the fields of interest to them, without his presence.

(1) *G4-43.*

3.2 BOARD AND COMMITTEES RULES AND PRACTICES

3.2.1 BOARD OF DIRECTORS

a) Indicators

	2014	2013
Number of meetings	9	7
Average attendance rate	94%	89%
Number of Directors	18[(1)]	15
Percentage of independent Directors	62.5% (10 out of 16)[(1) (2)]	60% (9 out of 15)

(1) *Information as of the date of filing of this Registration Document.*

(2) *Excluding Directors representing employees.*

b) Duties and responsibilities

LEGAL FRAMEWORK

In accordance with law and Lafarge S.A. articles of association, the Board of Directors determines the strategic direction of the Company's operations and supervises the implementation of such strategy. Subject to the powers expressly granted by law to Shareholders' Meetings and within the scope of the Company's corporate purpose, the Board is vested with the power to deliberate and take decisions on any matter relating to the operations and business of the Company[(1)]. The Board can conduct any audits and investigations as it deems appropriate.

The Board of Directors is also granted specific powers by law, such as the calling of Shareholders' Meetings, the approval of statutory and consolidated financial statements, the approval of management reports, the authorization of "regulated agreements and commitments" (between the Company and related parties), the appointment of Directors, the appointment of the Chairman and Chief Executive Officer and the power to set his/her compensation and Directors' fees.

It is a collegial body representing all the shareholders collectively, and is required to act at all times in the interests of the Company.

The Board of Directors is responsible for the performance of its duties to the General Meeting.

c) Board's internal regulations

The Board's internal regulations define the respective roles and duties of the Chairman and Chief Executive Officer and of the Vice-Chairman of the Board of Directors, the restrictions to the powers of the Chairman and Chief Executive Officer, the composition of the Board of Directors and its Committees, as well as the responsibilities of the various Board Committees. The internal regulations also specify the applicable rules for the evaluation of the Chairman and Chief Executive Officer, of the Board of Directors and of the Board Committees. They are amended on a regular basis to take into account changes to the Company's organization and to keep in line with the best governance practices.

The main provisions of the Board's internal regulations are presented or inserted in this Chapter 3 of the Registration Document.

The Board's internal regulations were last amended by the Board on February 18, 2014, in particular to take into account the main changes to the Afep-Medef Code published in June 2013, including Say on Pay.

As regards the information presented to the Board, the Board's internal regulations state that "at each meeting of the Board, the Chairman and Chief Executive Officer will give a summary of the Company's business during the previous period and of its financial situation, cash flow position and commitments. In addition, the Chairman and Chief Executive Officer will make a presentation of the main development projects in progress, and, depending on their state of advancement, of the principal industrial and financial data relating to such projects." In addition, the Director's Charter presented in Section 3.1.5 describes in its article 11 the terms for the information for Directors. In particular, it provides that Directors are apprised of the financial analysis reports.

See Section 3.1 (Board of Directors-Corporate Officers).

Cases where prior approval of the Board is required for significant investments, divestments or financial transactions are described in the Board's internal regulations. They are presented in Section 3.1.2 relating to the limitations of the Chairman and Chief Executive Officer's powers.

See Section 3.1.2 (Powers of the Chairman and Chief Executive Officer).

(1) *G4-34.*

d) Main activities

Approximately one week prior to every Board meeting, each Director receives a file containing the agenda for the meeting, the minutes of the previous meeting and documentation relating to each topic on the agenda.

In accordance with the Board's internal regulations, certain topics, depending on their nature, are first discussed within the relevant Committees before being submitted to the Board for approval. These mainly relate to: the review of financial statements, internal control procedures, auditor assignments and financial transactions for the Audit Committee; the election of new Directors, the appointment of corporate officers and the composition of the Committees as regards the Corporate Governance and Nominations Committee; Directors' and corporate officers' compensation as regards the Remunerations Committee and general strategic priorities of the Company and the Group for the Strategy, Investment and Sustainable Development Committee. The Committees carry out their duties under the supervision of the Board of Directors.

In 2014, in addition to the approval of the quarterly, interim and annual financial statements, the composition of the Board and its Committees, the assessment of the independence of the Directors, the preparation of the General Meeting, determination of the fixed and variable compensation of the Chairman and Chief Executive and of the Directors' fees and other decisions in the ordinary course of business, the Board notably worked on the following:

- the merger project between Lafarge and Holcim;
- the follow up of developments and divestments and of the Group's financial situation;
- the follow up of the Group's strategic plan;
- the self-assessment of the Board and of its Committees (2014 and beginning of 2015)[(1)] ;
- the grant of performance shares and multi-annual variable compensation;
- the amendment of the Board internal regulations following the new version of the Afep-Medef Code;
- the amendment of the rules on allocation of Directors' fees;
- the review of the provisions of the articles of association relating to the age limit of Directors;
- the procedure relating to the nomination of Directors representing employees; and
- the review and analysis of various laws and reports on corporate governance topics.

See Section 1.2.7 (LafargeHolcim, a project for a merger of equals to create the most advanced player in the building materials sector) and Note 3.1 (Merger project between Lafarge and Holcim) to the consolidated financial statements for further information on the merger project with Holcim.

For further information on developments and divestments, please refer to Section 1.2.6 (Recent acquisitions, partnerships and divestures).

The description of the new rules on allocation of Directors' fees is set out in Section 3.4.1 (Compensation paid to Directors).

The grants of performance shares and multi-annual variable compensation in 2014 are described in Section 3.4.3 (Compensation and benefits paid to the Chairman and Chief Executive Officer) and in Section 3.5 (Long-term incentives).

The compensation and benefits of the Chairman and Chief Executive Officer is described in Section 3.4.3 (Compensation and benefits paid to the Chairman and Chief Executive Officer).

In relation to the merger project between Lafarge and Holcim, the Chairman of the different Committees (Oscar Fanjul, Philippe Dauman, Michel Rollier) and Gérard Lamarche, Ian Gallienne, Paul Desmarais, Jr., Nassef Sawiris and Jérôme Guiraud are involved regularly for the review of the key issues and challenges arising from such proposed transaction and help with the preparation of the review of the milestones of the proposed transaction by the Board of Directors.

3.2.2 BOARD OF DIRECTORS' COMMITTEES

LEGAL FRAMEWORK

The Board of Directors may set up specialized Committees as it sees fit and appoint its members.
These Committees have no decision-making power but make recommendations to prepare Board decisions. Only the setting up of an Audit Committee is compulsory for listed companies.

The Board of Directors of Lafarge S.A. has defined, in its internal regulations, the duties and responsibilities of its various Standing Committees, which are:

- the Audit Committee;
- the Corporate Governance and Nominations Committee;
- the Remunerations Committee;
- the Strategy, Investment and Sustainable Development Committee[(2)].

The Committees are composed of a minimum of three members and a maximum of ten members nominated by the Board of Directors from among its Directors.

The term of office of the Committee members is aligned with their Director office. These positions can be renewed simultaneously.

The Committees are convened by their Chairmen or at the request of the Chairman and Chief Executive Officer by any means possible, including orally. The Committees may meet anywhere and using whatever means, including videoconference or teleconference. A quorum consists of at least one-half of members being present. At least two meetings are held per year.

The agenda for Committee meetings is drawn up by its Chairman. Minutes of the Committee meetings are drafted after each meeting.

For the purpose of their work, the Committees may interview members of Executive Officers of the Group or any other Group manager. The Committees may also engage any expert and interview him about his report.

The Committees report on their work to the next meeting of the Board, by way of verbal statement, opinion, proposals, recommendations or written reports.

The Committees may not handle on their own initiative any issue outside of their terms of reference, as defined below. They have no decision-making powers, but only the power to make recommendations to the Board of Directors.

(1) *G4-44.*
(2) *G4-34.*

a) Audit Committee

INDICATORS

	2014	2013
Number of meetings	6	5
Average attendance rate	73%	91%
Number of members	7[1]	7
Percentage of independent Directors	71% (5 out of 7)[1]	71% (5 out of 7)

(1) *Information as of the date of filing of this Registration Document.*

COMPOSITION

The Audit Committee is chaired by Mr Michel Rollier since February 18, 2014. It was previously chaired by Mrs Hélène Ploix.

It is composed of the following members:

- Michel Rollier, Chairman (independent Director);
- Oscar Fanjul (independent Director);
- Juan Gallardo (independent Director);
- Jérôme Guiraud;
- Gérard Lamarche;
- Christine Ramon (independent Director);
- Véronique Weill (independent Director).

Mrs Christine Ramon was appointed as a member of the Audit Committee by the Board of Directors on May 7, 2014 further to her appointment as Director at the General Meeting held on May 7, 2014.

In accordance with the Board's internal regulations, the Audit Committee must be composed of a least two thirds of Directors qualifying as independent and must not include any executive Director. In addition, the Chairman of the Audit Committee, who must be an independent Director, is appointed by the Board on a recommendation from the Corporate Governance and Nominations Committee.

LEGAL FRAMEWORK

Boards of Directors of listed company must set up a specialized Committee monitoring issues relating to the preparation and control of accounting and financial information. The Board of Directors must qualify at least one member of the Committee as having special expertise in finance or accounting and being independent (article L. 823-19 of the French Commercial Code).

The Board's internal regulations provide that all Audit Committee members must be competent in finance or accounting. Upon the Audit Committee's proposal, the Board of Directors resolved on February 17, 2015, in line with its previous resolutions, that each member of the Audit Committee had the required level of expertise in finance or accounting with regards to their education and professional experience, as described in the biographies set out in Section 3.1.3 (Information on Directors).

DUTIES AND RESPONSIBILITIES

The Audit Committee has the following duties:

Financial statements

- to ensure that the statutory auditors assess the relevance and consistency of accounting methods adopted for the preparation of the consolidated or statutory financial statements, as well as appropriate treatment of the major transactions at Group level;
- when the financial statements are prepared, to carry out a preliminary review and give an opinion on the draft statutory and consolidated financial statements, including quarterly, semi-annual and annual statements prepared by management, prior to their presentation to the Board; for those purposes, the draft financial statements and all other useful documents and information must be provided to the Audit Committee at least three days before the review of the financial statements by the Board. In addition, the review of the financial statements by the Audit Committee must be accompanied by (i) a memorandum from the statutory auditors highlighting the key points resulting from the audit and the accounting options adopted; and (ii) a memorandum from the Finance Director describing the Company's exposure to risk and the major off-balance sheet commitments. The Audit Committee interviews the statutory auditors, the Chairman and Chief Executive Officer and financial management, in particular concerning depreciation, reserves, the treatment of goodwill and consolidation principles;
- to review the draft interim financial statements, the draft half-year report and the draft report on results of operations prior to publication, together with all the accounts prepared for specific transactions (asset purchases, mergers, market operations, prepayments of dividends, etc.);
- to review, where necessary, the reasons given by the Chairman and Chief Executive Officer for not consolidating certain companies;
- to review the risks and the major off-balance sheet commitments.

INTERNAL CONTROL AND INTERNAL AUDIT

- to be informed by the Chairman and Chief Executive Officer of the definition of internal procedures for the gathering and monitoring of financial information, ensuring the reliability of such information;
- to be informed of procedures and action plans in place in terms of internal control over financial reporting, to interview the persons in charge of internal control every half-year and at the end of each financial year, to examine the terms of engagement of the statutory auditors and to hear from the statutory auditors concerning internal control significant matters;
- to examine the Group's internal audit plan and interview the persons in charge of internal audit for the purposes of taking note of their programs of work and to receive the internal audit reports of the Company and Group or an outline of those reports, and provided the Chairman and Chief Executive Officer has been informed in advance, these hearings may take place, if necessary, without the Chairman and Chief Executive Officer being in attendance.

STATUTORY AUDITORS

- to listen regularly to the statutory auditors' reports on their work, the methods used to carry out their work and their conclusions;
- to propose to the Board, where necessary, a decision on the points of disagreement between the statutory auditors and the Chairman and Chief Executive Officer, likely to arise when the work in question is performed, or because of its contents;

- to assist the Board in ensuring that the rules, principles and recommendations safeguarding the independence of the statutory auditors are applied and, for such purposes, the members of the Committee have, by way of delegation from the Board of Directors, the following duties:
  - supervising the selection or renewal procedure (by invitation to tender) of statutory auditors, while taking care to select the "best bidder" as opposed to the "lowest bidder", formulating an opinion on the amount of the fees sought for carrying out the statutory audit assignments, formulating an opinion stating the reasons for the selection of statutory auditors and notifying the Board of its recommendation in this respect,
  - supervising the questions concerning the independence, fees and duties of the statutory auditors.

FINANCIAL POLICY

- to be informed by the Chairman and Chief Executive Officer of the financial standing of the Group, the methods and techniques used to lay down financial policy, and to be regularly informed of the Group's financial strategy guidelines in particular with regard to debt and the hedging of currency risks;
- to be informed of the contents of official financial statements prior to their release;
- to be informed in advance of the conditions of the financial transactions performed by the Group; if a meeting of the Committee cannot be held owing to an emergency, the Audit Committee is informed of such reasons;
- to review any financial or accounting issue submitted to it by the Board, the Chairman and Chief Executive Officer or the statutory auditors;
- to be informed by the Chairman and Chief Executive Officer of all third party complaints and of any internal information criticizing accounting documents or the Company's internal control procedures, as well as of procedures put in place for this purpose, and of the remedies for such complaints and criticism.

FRAUD

- to ensure that procedures are put in place for the receipt, retention and treatment of accounting and financial related complaints received by the Company;
- to be informed of possible cases of fraud involving management or employees who have a significant role in internal controls concerning financial reporting.

RISK MANAGEMENT

- to ensure that appropriate means and measures are put in place by, or at the initiative of, the general management to enable identification, analysis and continuous improvement in the management of risks to which the Group may be exposed as a result of its operations;
- to review risks and the material off-balance sheet commitments, assess the importance of any deficiencies or weaknesses which are communicated to it and, if necessary, inform the Board[1];
- every year, to dedicate one of its meetings to Internal Control, Internal Audit and risk management.

For practical reasons, in particular as a majority of Audit Committee members reside abroad, Audit Committee meetings usually take place on the day preceding the Board meeting. Taking into account this constraint and to enable the Audit Committee to carry out the full extent of its duties, the Board's internal rules state that all pertinent documents and information must be provided to it by the Chairman and Chief Executive Officer on a timely basis. Committee papers are therefore sent to Audit Committee members sufficiently ahead of Board and Committee meetings and at least three days before such meetings, giving them sufficient time to review the accounts before meetings.

The Audit Committee is given the opportunity to listen to the statutory auditors as well as members of the financial management (control, consolidation and treasury). The Committee always has the possibility to listen to the statutory auditors without the Chairman and Chief Executive Officer or members of the management being in attendance.

MAIN ACTIVITIES

In 2014, the Audit Committee focused mainly on:

- a preliminary review of the 2013 statutory and consolidated annual financial statements, the statutory interim financial statements and of the quarterly financial consolidated statements for the first three quarters of 2014;
- a review of the press releases and analyst slides concerning the publication of these financial statements;
- the auditors' budget for 2014;
- the Group's financing, liquidity and debt situation, with a specific focus on the Company's credit ratings;
- the review of particular accounting and financial aspects of some of the Group's strategic projects, including in particular those relating to the merger project with Holcim;
- supervision of the Group's internal control, risk management and internal audit. In particular, the Audit Committee reviewed the management's update of the Group's risk mapping and followed up on the different action plans relating to the Group's priority risks;
- regular updates on fraud, the Group's fraud prevention program and the annual certification process;
- the qualification of its members as experts in finance;
- an assessment of its practices, as further described in Section 3.2.3 (Self-assessment by the Board, Committees, Chairman and Chief Executive Officer).

As part of its preliminary review of the 2014 statutory and consolidated financial statements in February 2015, and on the basis of presentations made by finance management and external auditors, the Audit Committee reviewed the principal items of the closing, with a special focus on other operating income and expense, finance costs, tax, goodwill impairment tests, as well as major off-balance sheet commitments and exposure to risks. It also reviewed the management's assessment on internal controls over financial reporting which are described in detail in the Chairman's report on internal control procedures and considered the description of the Group's risk factors in the 2014 Registration Document. It also examined the auditors' assessment on accounting options selected at closing, fairness of our financial statements and on our internal control over financial reporting. Finally, the Audit Committee reviewed the draft dividend payout plan for 2014 and issued recommendations to the Board.

See Section 5.2 (Internal controls procedures).

(1) *G4-46.*

b) Corporate Governance and Nominations Committee

INDICATORS

	2014	2013
Number of meetings	4	4
Average attendance rate	93%	96%
Number of members	7[(1)]	7
Percentage of independent Directors	71% (5 out of 7)[(1)]	71% (5 out of 7)

(1) *Information as of the date of filing of this Registration Document.*

COMPOSITION

The Corporate Governance and Nominations Committee is chaired by Mr Oscar Fanjul. It is composed of the following members:

- Oscar Fanjul, Chairman (Vice-Chairman – independent Director);
- Philippe Dauman (independent Director);
- Juan Gallardo (independent Director);
- Ian Gallienne;
- Baudouin Prot (independent Director);
- Michel Rollier (independent Director);
- Nassef Sawiris.

There was no change to the Committee's composition during the 2014 financial year.

In accordance with the Board's internal regulations, the Corporate Governance and Nominations Committee must be composed of a majority of Directors qualifying as independent. In addition, the Chairman of the Corporate Governance and Nominations Committee, who must be an independent Director, is appointed by the Board on a recommendation from the Chairman and Chief Executive Officer.

DUTIES AND RESPONSIBILITIES

The Corporate Governance and Nominations Committee is responsible, in cooperation with the Chairman and Chief Executive Officer, for ensuring compliance with the Company's corporate governance rules. In particular, it is responsible for:

- monitoring governance practices in the market, submitting to the Board the corporate governance rules applicable by the Company and ensuring that the Company's governance rules remain among the best in the market;
- reviewing proposals to amend the internal regulations or the Director's Charter to be submitted to the Board;
- submitting to the Board the criteria to be applied to assess the independence of its Directors;
- submitting to the Board, every year before publication of the Registration Document, a list of Directors qualifying as independent;
- preparing assessment of the work of the Board provided for by the Board's Internal Regulations;
- preparing changes in the composition of the Company's management;
- giving its prior approval before the Corporate Executive Officer accepts a corporate office of a listed company that does not belong to the Group.

The Committee has special responsibility for examining the succession plans for senior management members and the selection of new Directors. It also makes recommendations to the Board for the appointment of the Vice-Chairman and the Chairmen of other Standing Committees.

The choices made by the Corporate Governance and Nominations Committee on the appointments of the candidates to the office of Director are guided by the interests of the Company and all its shareholders. They take into account the balance of the Board's composition, in accordance with the relevant rules laid down in its internal regulations. They ensure that each Director possesses the necessary qualities and availability, and that the Directors represent a range of experience and competence, thereby enabling the Board to perform its duties effectively, while maintaining the requisite objectivity and independence with regard to the Chairman and Chief Executive Officer and any shareholder or any particular group of shareholders.

MAIN ACTIVITIES

In 2014, the Corporate Governance and Nominations Committee focused mainly on:

- the composition of the Board and its Committees;
- the assessment of the independence of the Directors and materiality tests;
- the evaluation of the Chairman and Chief Executive Officer's performance;
- the activity report of the Vice-Chairman;
- the re-appointment of the Vice-Chairman of the Board;
- amendments to the internal regulations of the Board;
- the review of the provisions of the articles of association relating to the age of Directors;
- the review of the procedure for nominating Directors representing employees, for amendment of the articles of association;
- the review of the Group's succession plan for general management;
- the review of related-party agreements and commitments;
- the assessment of the Board and of its Committees (2014 and beginning of 2015);
- the review of the Corporate Governance section in the 2014 Registration Document (beginning of 2015); and
- the review and analysis of various laws and reports on topics falling within the scope of its duties (law providing for the representation of employees on the Board, AMF report on corporate governance and compensation of corporate officers, annual report of the High Committee of Corporate Governance etc.).

c) Remunerations Committee

INDICATORS

	2014	2013
Number of meetings	6	5
Average attendance rate	94%	97%
Number of members	6[1]	6
Percentage of independent Directors	**67% (4 out of 6)[1]**	**67% (4 out of 6)**

(1) *Information as of the date of filing of this Registration Document.*

COMPOSITION

The Remunerations Committee is chaired by Mr Oscar Fanjul. It is composed of the following members:

- Oscar Fanjul, Chairman (Vice-Chairman – independent Director);
- Philippe Charrier (independent Director);
- Juan Gallardo (independent Director);
- Ian Gallienne;
- Nassef Sawiris;
- Ewald Simandl (Director representing employees);
- Véronique Weill (independent Director).

There was no change to the Committee's composition during the 2014 financial year. In 2015, Mr Ewald Simandl, Director representing employees, became a member of the Remunerations Committee further to a resolution of the Board of Directors of February 17, 2015.

In accordance with the Board's internal regulations, the Remunerations Committee must not include any executive Director and must be composed of a majority of Directors qualifying as independent[1]. In addition, the Chairman of the Remunerations Committee, who must be an independent Director, is appointed by the Board on a recommendation from the Corporate Governance and Nominations Committee.

DUTIES AND RESPONSIBILITIES

The Remunerations Committee is responsible for examining the compensation and benefits paid to Directors and members of corporate officers, and providing the Board with comparisons and benchmarking with market practices, in particular:

- to review and make proposals in relation to the remuneration of senior management members, with regard to (i) the fixed portion and the variable portion of said annual remuneration and all benefits in kind, (ii) all long-term incentives ("LTI" = stock options, performance shares and other long-term multi-annual compensation), (iii) exceptional compensation, (iv) provisions relating to their retirements, (v) signing bonuses and severance pay and (vi) and all other benefits of whatever kind;
- to define and implement the rules for the determination of the variable portion while taking care to ensure these rules are compatible with the annual evaluation of the Company officers' performances and with the medium-term strategy of the Company and the Group;
- to deliver to the Board an opinion on the general allocation policy for LTIs and on the different plans set up by the Chairman and Chief Executive Officer, and to propose to the Board what awards should be made;
- to be informed of the remuneration policy concerning the principal management personnel (aside from senior management) of the Company and other Group companies and to examine the coherence of this policy;
- to suggest to the Board the total amount of Directors' fees for proposal to the Company's shareholders' meeting;
- to make proposals to the Board on the allocation rules for Directors' fees and the individual payments to be made to the Directors, taking into account the attendance rate of the Directors at Board and Committee meetings and making sure that the variable portion is the greater in the allocation of directors' fees;
- to examine every matter submitted to it by the Chairman and Chief Executive Officer, relating to the above questions, as well as plans for increases in the number of shares outstanding owing to the implementation of employee stock ownership;
- to approve the information disclosed to shareholders in the Registration Report on the remuneration of senior management members and the principles and methods determining the remuneration of said persons, as well as that presented to the Annual General Meeting for consultation of the shareholders ("Say on Pay"). To make recommendations to the Board in the event of negative opinion expressed by the shareholders.

MAIN ACTIVITIES

During the course of 2014, the work of the Remunerations Committee was primarily focused on:

- a review of the Group's long term incentives policy;
- performance shares and multi-annual variable compensation (2014 grants);
- assessment of the achievement of the performance conditions applicable to the 2009 stock option grants and to the 2011 stock option and performance shares grants;
- assessment of the performance conditions relating to the 2009 long-term incentive granted to the Chairman and Chief Executive Officer;
- a review of the Directors' fees allocation rules and distribution for 2014;
- the Chairman and Chief Executive Officer's annual compensation (fixed compensation and the criteria for the variable part of his compensation);
- the review of the consequences of the merger project with Holcim and anticipation of recommendations to be made in this context;
- a review of the Group's pension plans;
- an assessment of its practices; and
- the review of the Compensation and benefits section in the 2014 Registration Document (beginning of 2015), including "Say on Pay".

(1) *G4-53.*

d) Strategy, Investment and Sustainable Development Committee

INDICATORS

	2014	2013
Number of meetings	3[1]	5
Average attendance rate	95%	94%
Number of members	7[2]	7
Percentage of independent Directors	**71% (5 out of 7)[2]**	**71% (5 out of 7)**

(1) *G4-47.*
(2) *Information as of the date of filing of this Registration Document.*

COMPOSITION

The Strategy, Investment and Sustainable Development Committee is chaired by Mr Philippe Dauman. It is composed of the following members:

- Philippe Dauman, Chairman (independent Director);
- Philippe Charrier (independent Director);
- Paul Desmarais, Jr;
- Oscar Fanjul (independent Director);
- Mina Gerowin (independent Director);
- Gérard Lamarche;
- Hélène Ploix (independent Director);
- Baudouin Prot (independent Director);
- Michel Rollier (independent Director);
- Nassef Sawiris.

Mrs Colette Lewiner has been a member the Strategy, Investment and Sustainable Development Committee until the term of her office, which ended at the General Meeting of May 7, 2014.

Mrs Mina Gerowin became was appointed as a member of the Strategy, Investment and Sustainable Development Committee by the Board of Directors on May 7, 2014, further to her appointment as Director at the General Meeting held on May 7, 2014.

Mssrs Fanjul, Lamarche and Rollier were appointed as members of the Strategy, Investment and Sustainable Development Committee by the Board of Directors on November 4, 2014.

In accordance with the Board's internal regulations, the Chairman of the Strategy, Investment and Sustainable Development Committee is appointed by the Board on a recommendation from the Corporate Governance and Nominations Committee.

DUTIES AND RESPONSIBILITIES

The Strategy, Investment and Sustainable Development Committee is responsible for:

- advising the Board on the main strategic priorities of the Company and Group and on the investment policy and important strategic issues put before the Board;
- reviewing in detail and giving the Board its opinion on the issues submitted to it relating to major investments, the creation and upgrading of equipment, external growth, or divestments and asset or share sales;
- ensuring that sustainable development and societal responsibility are a component of Lafarge's long-term strategy and constitute one of the aspects of its economic development[1].

MAIN ACTIVITIES

Since 2004, the Strategy, Investment and Sustainable Development Committee has been open to all Directors wishing to attend its meetings.

In 2014, the Strategy, Investment and Sustainable Development Committee focused on the following:

- the various aspects of the merger project with Holcim, and in particular the divestment process and integration planning;
- the review the Group's portfolio of assets in anticipation of the changing landscape in regions where the Group is present, with the exit from certain countries (Ecuador, Mexico), the repositioning of assets (sale of a minority stake in gypsum operations to Etex, divestment of assets in Russia and North America) and the acceleration of the development of the Group's positions in Sub-Saharan Africa;
- the results already achieved and the objectives to be set in relation to action plans relating to innovation, commercial development, in line with the Group's 2020 Ambitions.

3.2.3 SELF-ASSESSMENT OF THE BOARD, ITS COMMITTEES AND OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER - ACTIVITY REPORT OF THE VICE-CHAIRMAN (LEAD INDEPENDANT DIRECTOR)

a) Self-assessment of the Board, its Committees and of the Chairman and Chief Executive Officer

The Board's internal regulations provide that the Board is to hold a discussion at least once a year about its practices with a view to assessing and improving their efficiency and to proceed with the evaluation of the Chairman and Chief Executive Officer. A formal assessment of its operations, the verification that important issues are properly prepared and debated within the Board, and the effective participation and involvement of each Director in the deliberation, is to take place at least every two years using a questionnaire approved by the Board.

At the beginning of 2015, the Board initiated a formal debate on its organization and practices in accordance with its internal regulations. This debate was led by the Vice-Chairman of the Board, first within the Corporate Governance and Nominations Committee and then within the Board of Directors. This review also included an assessment of each of the Committees.

(1) *G4-42, G4-45.*

The outcome of the comments and discussions resulting from this assessment was that the Directors continued to consider that the organization and practices of the Board and its Committees were globally very satisfactory. The principal findings and recommendations for potential optimization were as follows:

- the Directors confirmed the sufficient diversity of background of the different members of the Board and how the necessary balance between Directors qualifying as independent and shareholder representatives had been successfully achieved; an improvement of the composition of the Board was noted, in particular through an increased representation of women and diversity of profiles, as well as further to the nomination of the two Directors representing employees;
- the Directors reiterated their appreciation of the organization of the Board and of how discussions were chaired by the Chairman and Chief Executive Officer, both regarding direction of debates as well as the quality of his contributions. The Directors also noted that the governance structure of the Company allowed for a balanced functioning of the Board in compliance with corporate governance best practices, in particular as a result of the Vice-Chairman's (Lead Independent Director) specific role and powers;
- the operation of the Board was considered very satisfactory and the Directors continued to note the relevance of the topics covered and the efficient allocation of work between the Board and its Committees. The quality of the work of the Board of Directors was perceived as very satisfactory, in particular in relation to financial management, budgeting and results as in previous years, but also in relation to the Group's strategy, this last item being an improvement from previous assessments; the Directors underlined progress made in the quality and timing of the preparatory documents provided ahead of Board and Committee meetings compared to the previous formal assessment;
- in terms of perspective, an interest was shown in continuing to focus at Board and Audit Committee level on risk identification and management as well as on the monitoring of the effectiveness of internal control systems ; it was also suggested that the Board may benefit from the appointment of a Director with specific knowledge of Asia-Pacific;
- in relation to the findings resulting from the previous formal assessment of the Board in 2013, the Board noted an improvement of the quality of debates on strategy both at Board level and at the Strategy, Investment and Sustainable Development Committee level. In addition, in line with the recommendations for potential optimization resulting from the 2010 assessment, the Directors also noted an improved representation of women on the Board.

Lafarge was awarded the 1st Prize of the Agefi 2014 Corporate Governance awards for the good functioning of its corporate bodies. This award, which aims to reward the best companies listed on the Paris stock market for the quality of their governance, confirms through an external recognition the conclusions of the self-assessment of the Board.

b) Activity report of the Vice-Chairman (Lead Independent Director)

In 2014, the Vice-Chairman of the Board (Lead Independent Director) attended all Board meetings as well as all meetings of the Corporate Governance and Nominations Committee and of the Remunerations Committee, both of which he chairs. As part of his role as Chairman of these Committees, the Vice-Chairman conducted the Committees' review and analysis of various laws and reports on topics falling within the scope of his duties (law providing for the representation of employees on the Board, AMF report on corporate governance and compensation of corporate officers, annual report of the High Committee of Corporate Governance etc.).

In accordance with the Board's internal regulations, the Vice-Chairman chaired the Board's discussions on the performance and setting of the compensation of the Chairman and Chief Executive Officer, with these discussions taking place in the absence of the latter.

The Vice-Chairman was consulted by the Chairman and Chief Executive Officer on the agenda for all Board meetings, thus permitting the addition of further items on the agenda, if appropriate.

Regarding the self-assessment of the Board and of its Committees, the Vice-Chairman led the discussions of the Board on its practices and the effective contribution of its members in 2014, first within the Corporate Governance and Nominations Committee and then at Board level during their respective meetings held on February 17, 2015. These discussions were based inter alia on a questionnaire pre-approved by the Board and completed by each Director.

The Corporate Governance and Nominations Committee, chaired by the Vice-Chairman, also reviewed the corporate governance aspects of the report on internal control procedures and corporate governance prepared by the Chairman and Chief Executive Officer in accordance with article L. 225-37 of the French Commercial Code.

The Remunerations Committee, chaired by the Vice-Chairman, reviewed the description of the various compensation elements of the Chairman and Chief Executive Officer contained in the Registration Document, as presented to the shareholders during the General Meeting ("Say on Pay").

Further to the announcement of the merger project with Holcim in April 2014, the Vice-Chairman led various work sessions on the consequences of the merger project on the different topics that fall within the responsibilities of the Corporate Governance and Nominations Committee and the Remunerations Committee, in order to anticipate recommendations to be made in this context.

The activity report of the Vice-Chairman for 2014 was presented to the Board of Directors in early 2015 and its main findings on corporate governance are in line with the principal findings resulting from the Board's assessment presented above.

3.2.4 SUMMARY TABLE ON THE ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The following table shows the number of Board and Committee meetings during financial year 2013, as well as Director membership and attendance at these various meetings.

	Board of Directors	Attendance rate (%)	Audit Committee	Attendance rate (%)	Corporate Governance and Nominations Committee	Attendance rate (%)	Remunerations Committee	Attendance rate (%)	Strategy, Investment and Sustainable Development Committee	Attendance rate (%)
Number of meetings in 2014	**9**	**94**	**6**	**73**	**4**	**93**	**6**	**94**	**3**	**95**
Bruno Lafont	9	100								
Oscar Fanjul	9	100	2	33	4	100	6	100		
Philippe Charrier	9	100					6	100	3	100
Philippe Dauman	9	100			4	100			3	100
Paul Desmarais Jr.	9	100							3	100
Juan Gallardo	9	100	5	83	3	75	5	83		
Ian Gallienne	8	89			4	100	6	100		
Mina Gerowin[(1)]	5/5	100							2/2	100
Jérôme Guiraud	9	100	6	100						
Luc Jeanneney[(2)]	2/2	100								
Gérard Lamarche	8	89	6	100						
Colette Lewiner[(3)]	4/4	100							1/1	100
Hélène Ploix[(4)]	9	100	1/1	100					3	100
Baudouin Prot	8	89			4	100			3	100
Christine Ramon[(1)]	4/5	80	2/4	50						
Michel Rollier	9	100	6	100	4	100				
Nassef Sawiris	6	67			3	75	5	83	2	67
Ewald Simandl[(2)]	2/2	100								
Véronique Weill	7	78	2	33			6	100		

(1) *Director appointed by the General Meeting on May 7, 2014.*
(2) *Director representing employees whose appointment became effective at the Board of Directors' meeting held on November 4, 2014.*
(3) *Director whose term of office ended on May 7, 2014.*
(4) *Director no longer member of the Audit Committee since February 18, 2014.*

3.3 EXECUTIVE OFFICERS

The Executive Committee[(1)] includes Bruno Lafont, our Chairman and Chief Executive Officer, and the following members:

Sonia Artinian: Executive Vice-President Organization and Human Resources, 61, rue des Belles Feuilles, 75116 Paris, France.

Sonia Artinian (born in 1966) graduated from École normale supérieure (section biology), École Nationale du Génie Rural et des Eaux et Forêts and Collège des Ingénieurs. She joined Lafarge in 2008.

She started her career with Capgemini Consulting in the Strategy and Transformation Department for companies in the construction, environment and industry sectors. She was appointed Associate Director for the Transformation University in 2007.

She joined Lafarge as Senior Vice-President Development, Organization & Learning. She was appointed Deputy General Manager of Lafarge Cement Romania in September 2011, then, further to the Group new organization Country CEO for Lafarge in Romania as of January 1, 2012. As of September 1, 2013, she was appointed Executive Vice-President Organization and Human Resources and became a member of the Executive Committee.

Jean Desazars de Montgailhard: Executive Vice-President Strategy and Development, 61, rue des Belles Feuilles, 75116 Paris, France.

Jean Desazars de Montgailhard (born in 1952) graduated from the Institut d'études politiques de Paris and the École Nationale d'Administration (ENA) with a Master's degree in economics. He joined the Group in 1989. He began his career at the French Ministry of Foreign Affairs in Madrid, Stockholm, Washington DC and Paris as head of arms control, before joining Lafarge Ciments as Strategy Director in Paris and then Lafarge Asland in Spain as Sales and Marketing Director. From 1996 to 1999, he acted as Regional President for Asia in Singapore, then in Paris until 2006 for Africa. He was appointed as Executive Vice-President, Strategy and Development for the Group in 2006. He has been Executive Vice-President Strategy, Development & Public Affairs and a member of the Executive Committee since January 1, 2008. As of September 1, 2013, he is appointed Executive Vice-President Strategy and Development. He is a Director of COE Rexecode (France), French-American Foundation France and Les amis de l'Université Française d'Egypte.

Thomas Farrell: Executive Vice-President Operations, 61, rue des Belles Feuilles, 75116 Paris, France.

A graduate from Brown University and with a law degree from Georgetown University (JD), Thomas Farrell (born in 1956) began his career as a lawyer with Shearman & Sterling. He joined Lafarge in 1990 as Director of Strategic Studies for the Group. From 1992 to 1994, he managed an operating unit of Lafarge Aggregates & Concrete in France. In 1996, he became Vice-President/General Manager of Aggregates, Concrete & Asphalt Division's operations in South Alberta (Canada). In 1998, he was appointed Chief Executive Officer of Lafarge in India. From 2002 to 2006, he was Executive Vice-President of Lafarge North America Inc. and President of the Aggregates, Concrete & Asphalt Division's operations for Western North America. From 2006 to August 2007, he was President of the Aggregates, Concrete & Asphalt Division in North America. In September 1, 2007, he was appointed Executive Vice-President, Co-President of the Aggregates & Concrete Business, and a member of the Executive Committee. On January 1, 2012, he became Executive Vice-President Operations. He is a Director of Rexel S.A.

Jean-Jacques Gauthier: Chief Financial Officer and Executive Vice-President, 61, rue des Belles Feuilles, 75116 Paris, France.

Graduated in law and economics, Jean-Jacques Gauthier (born in 1959) joined the Group in February 2001. He began his career with Ernst & Young in 1983. In 1986, he joined the Finance department of the Matra group. From 1988 to to 1991, he was the Chief Financial Officer of Matra Datavision in the United States and in 1988 joined the General Management of group Lagardère as Director of Audit of the Matra and Hachette groups. In 1993, he became the Chief Financial Officer of Matra Espace and in 1996, Deputy General Manager and Chief Financial Officer of the Franco-British company Matra Marconi Space. When Astrium was created in 2000 through the merger of the space activities of the Matra, GEC and Deutsche Aerospace groups, he becomes Deputy General Manager and Chief Financial Officer. He has been Chief Financial Officer and a member of the Executive Committee of Lafarge S.A. since 2001.

Christian Herrault: Executive Vice-President Operations, 61, rue des Belles Feuilles, 75116 Paris, France.

A graduate of the École Polytechnique (1972) and the École nationale supérieure des mines de Paris, Christian Herrault (born in 1951) joined the Group in 1985, taking over responsibility for strategy and development at the Bioactivities Unit. Between 1987 and 1992, he acted as Chief Operating Officer for the Seeds Unit, initially in the United States, then in France, and managed the Glutamates business from 1992 to 1994. In 1995, he was appointed Chief Executive Officer of the Aluminates & Admixtures Unit (no longer part of the Group). In 1998, he was appointed Executive Vice-President Organization and Human Resources and joined the Executive Committee. In September 2007, he became President of the Gypsum Business. Still a member of the Executive Committee, he has been Executive Vice-President Operations since January 1, 2012. He has also been the Chairman of the Board of Directors of the École des mines de Nantes since 2007.

Peter Hoddinott: Executive Vice-President Performance, 61, rue des Belles Feuilles, 75116 Paris, France.

Peter Hoddinott (born in 1957) is a graduate of Imperial College and holds a Master of Business Administration from London University. Peter Hoddinott joined Lafarge in 2001 with the acquisition of Blue Circle by Lafarge. Peter Hoddinott worked in the mining industry before joining Blue Circle in 1995, where he held several operational positions in the United Kingdom, before being appointed Managing Director for the Philippines in 1999. He remained Managing Director for the Philippines with Lafarge until 2003.

(1) *G4-34.*

In 2003, he was appointed Regional President for Latin America, and then became Regional President for Western Europe. In 2012, he was appointed Executive Vice-President Energy and Strategic Sourcing in the Performance department.

In September 2013, he was appointed Executive Vice-President Performance and a member of the Executive Committee. He is Chairman of the Board of Cembureau.

Gérard Kuperfarb: Executive Vice-President in charge of the Innovation function, 61 rue des Belles Feuilles, 75116 Paris, France.

Gérard Kuperfarb (born in 1961) graduated from the École des mines de Nancy (France). He also holds a Master's degree in Materials Science from the École des mines de Paris and a MBA from the école des Hautes Études Commerciales (HEC). He has been with the Group since 1992. He began his career in 1983 as an engineer at the Centre de Mise en Forme des Matériaux (CEMEF) of the École des mines de Paris, before joining the Composite materials Division at Ciba group in 1986, where he held sales and marketing functions. In 1989, he joined a strategy consulting firm in Brussels and Paris. He joined Lafarge in 1992 as Marketing Director for the Refractories business then became Vice-President for strategy at Lafarge Specialty Materials. In 1996, he became Vice-President Ready-mix concrete strategy in Paris. In 1998, he was appointed Vice-President/General Manager for the Aggregates & Concrete Business in Southwest Ontario (Canada) before heading the Performance group at Lafarge Construction Materials in North America in 2001. He joined the Aggregates & Concrete Division in Paris as Senior Vice-President Performance in 2002. From 2005 to August 2007, he was President of the Aggregates & Concrete Business for Eastern Canada. On September 1, 2007, he became Executive Vice-President, Co-President of the Aggregates & Concrete Business and a member of the Executive Committee. Since January 1, 2012, he has been Executive Vice-President Innovation.

Eric Olsen: Executive Vice-President Operations, 61, rue des Belles Feuilles, 75116 Paris, France.

Eric Olsen (born in 1964) is a graduate in finance and accounting from University of Colorado and holds a Master's of Business administration degree awarded by the école des Hautes Études Commerciales (HEC). He has been with the Group since 1999. He began his career as a Senior Accountant with Deloitte & Touche in New York. From 1992, he worked as senior associate at Paribas bank in Paris and then was partner at the consulting firm Trinity Associates in Greenwich, Connecticut, from 1993 to 1999. He joined Lafarge North America Inc. in 1999 as Senior Vice-President Strategy and Development. In 2001, he was appointed President of the Cement Division for the Northeast Region of North America and Senior Vice-President Purchasing for Lafarge North America Inc. He was appointed Chief Finance Officer of Lafarge North America Inc. in 2004. He was appointed Executive Vice-President for Organization and Human Resources and became a member of the Executive Committee on September 1, 2007. As of September 1, 2013, he was appointed Executive Vice-President Operations. He is a Member of the Supervisory Board of Cimpress N.V. (The Netherlands) and Chairman of the Board of the American School of Paris.

Alexandra Rocca: Executive Vice-President Communications, Public Affairs and Sustainable Development of Lafarge, 61, rue des Belles Feuilles, 75116 Paris, France.

Alexandra Rocca (born in 1962) is a graduate of the école des Hautes Études Commerciales (HEC), the Institut d'études politiques in Paris and has a degree in French language and literature. She began her career with the Printemps group from 1986 to 1990, and then joined Air Liquide where, from 1990 to 2001, she was notably in charge of client communications and international brand management, before being appointed Deputy Communications Director of the group. Alexandra Rocca was then Communications Director for Galeries Lafayette from 2001 to 2005. She then joined the Crédit Agricole S.A. group in 2005 to work as Communications Director for LCL (formerly Crédit Lyonnais) before being appointed Head of Communications for the Crédit Agricole S.A. group.

Alexandra Rocca was appointed Senior Vice-President, Communications of Lafarge, in September 2010. She joined the Executive Committee on January 1, 2012. As of September 1, 2013, she was appointed Executive Vice-President Communications, Public Affairs and Sustainable Development[(1)]. She is a board member of Groupe Etam and of the American Chamber of Commerce in France.

Guillaume Roux: Executive Vice-President Operations, 61, rue des Belles Feuilles, 75116 Paris, France.

A graduate of the Institut d'études politiques in Paris, Guillaume Roux (born in 1959) joined the Group in 1980 as an internal auditor with Lafarge Ciment, France. He was Chief Financial Officer of the Biochemicals Unit in the United States from 1989 to 1992, before returning to Lafarge headquarters as Project Manager for the Finance department. In 1996, he returned to the United States as Vice-President of Marketing for Lafarge North America Inc. In 1999, he was appointed Chief Executive Officer of Lafarge's operations in Turkey and then in 2001, Executive Vice-President of the Cement Division's operations in South-East Asia. Guillaume Roux joined the Executive Committee when he was appointed Executive Vice-President, Co-President of the Cement Business in January 2006. On January 1, 2012, he became Executive Vice-President, in charge of the Performance function. As of September 1, 2013, he was appointed Executive Vice-President Operations.

For information, **Jean-Carlos Angulo** was a member of the Executive Committee until August 31, 2013.

There are no conflicts of interest affecting members of the Executive Committee between any duties owed to us and their private interests.

To our knowledge, during the past five years, no member of the Executive Committee has been convicted of fraudulent offences, involved in a bankruptcy, receivership or liquidation, subject to official public incrimination and/or sanctions or disqualified by a court from acting as a Director or from acting in the management or conduct of the affairs of any issuer.

(1) *G4-36, G4-42.*

3.4 COMPENSATION AND BENEFITS[1]

3.4.1 COMPENSATION PAID TO DIRECTORS – DIRECTORS' FEES

The only compensation paid to Directors in 2014 corresponded to Directors' fees (with the exception of the Chairman and Chief Executive Officer and the Directors representing employees).

a) Maximum amount

The General Meeting held on May 6, 2010 set the maximum aggregate amount of Directors' fees at 700,000 euros.

b) Allocation rules 2014

The allocation rules for Directors' fees were amended by the Board of Directors on February 18, 2014 to ensure that the variable portion of fees is greater than the fixed part, in line with the new recommendations of the Afep-Medef Code of June 2013. These new rules will apply starting in 2014, as follows:

- each Director is entitled to receive a fixed fee of 10,000 euros per year. This is capped at 50% for any Director appointed, or whose office ends, during the course of the year;
- a variable fee of 2,500 euros is payable to each Director for every Board of Directors meeting attended, increased to 5,000 euros for the Vice-Chairman of the Board;
- a variable fee of 1,250 euros is payable to each Director for every Committee meeting attended, increased to 2,500 euros for the Committee Chairmen;
- Directors who must travel from distant locations are eligible for a supplemental variable fee of 1,250 euros per meeting physically attended.

c) 2014 Directors' Fees

The total amount of Directors' fees paid in 2015 (with respect to the 2014 financial year) was 688,750 euros. In 2014 (with respect to the 2013 financial year) it amounted to 633,300 euros, while the total amount paid in 2013 (with respect to the 2012 financial year) was 671,900 euros.

Directors	Directors' fees for 2014 paid in 2015 (euros)	Directors' fees for 2013 paid in 2014 (euros)	Directors' fees for 2012 paid in 2013 (euros)
Bruno Lafont	30,000	25,400	25,400
Oscar Fanjul	77,500	64,800	58,800
Philippe Charrier	41,250	37,400	37,400
Philippe Dauman	56,250	53,100	55,400
Paul Desmarais, Jr.	42,500	38,600	43,400
Juan Gallardo	62,500	67,400	62,600
Ian Gallienne	40,000	36,200	31,400
Mina Gerowin[1]	17,500	N/A	N/A
Jérôme Guiraud	37,500	30,200	31,400
Luc Jeanneney[3]	7,500[6]	N/A	N/A
Gérard Lamarche	35,000	31,400	14,500
Colette Lewiner[2]	16,250	30,200	31,400
Hélène Ploix	36,250	40,000	36,400

(1) *Directors appointed on May 7, 2014.*
(2) *Director whose term of office expired on May 7, 2014.*
(3) *Director representing employees appointed by the Board meeting of November 4, 2014 after his designation by the Works Council of the Company. Moreover he is entitled to compensation due to his employment contract as Purchasing Manager France.*
(4) *Director representing employees appointed by the Board meeting of November 4, 2014 after his designation by the European Works Council. Moreover he is entitled to compensation due to his employment contract as Expert Software Integration.*
(5) *Including fees paid to Directors whose term of office expired before 2014.*
(6) *Directors representing employees have waived their right to fees in full for the benefit of trade unions. See Section 3.1 for further information.*

(1) *GA-51.*

Directors	Directors' fees for 2014 paid in 2015 (euros)	Directors' fees for 2013 paid in 2014 (euros)	Directors' fees for 2012 paid in 2013 (euros)
Baudouin Prot	36,250	30,200	37,400
Christine Ramon[(1)]	23,750	N/A	N/A
Michel Rollier	48,750	33,800	35,000
Nassef Sawiris	35,000	60,200	62,600
Ewald Simandl[(4)]	7,500[(6)]	N/A	N/A
Véronique Weill	37,500	35,000	32,600
TOTAL	**688,750**	**633,300**[(5)]	**671,900**[(5)]

(1) *Directors appointed on May 7, 2014.*
(2) *Director whose term of office expired on May 7, 2014.*
(3) *Director representing employees appointed by the Board meeting of November 4, 2014 after his designation by the Works Council of the Company. Moreover he is entitled to compensation due to his employment contract as Purchasing Manager France.*
(4) *Director representing employees appointed by the Board meeting of November 4, 2014 after his designation by the European Works Council. Moreover he is entitled to compensation due to his employment contract as Expert Software Integration.*
(5) *Including fees paid to Directors whose term of office expired before 2014.*
(6) *Directors representing employees have waived their right to fees in full for the benefit of trade unions. See Section 3.1 for further information.*

In accordance with the Group's policy, no Directors' fees have been paid with respect to the 2014 financial year either to Lafarge S.A. Senior Officers or to Group Executive members for offices they may hold in any Group subsidiary.

3.4.2 GENERAL PRINCIPLES ON THE COMPENSATION OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As a world leader in its industry, Lafarge gives great recognition to performance.

Lafarge's remuneration principles are:

- to attract, motivate and retain talented and qualified people;
- to be competitive against the comparable market;
- to be fair, transparent and performance-related;
- to be aligned with shareholders' interest; and
- consistently applicable throughout the Group.

The remuneration is benchmarked annually against the practice of other global companies using data of consulting firms to ensure fairness and competitiveness[(1)].

The Remunerations Committee reviews on behalf of and recommends to the Board of Directors the principles of the remuneration policy applicable to Corporate Officers. The Board determines the remuneration policy applicable to the Chairman and Chief Executive Officer taking into account the principles of comprehensiveness, balance, benchmarking, consistency, readability and measurement as recommended by the Afep-Medef Code of Corporate Governance. These Board of Directors decisions are taken with the Chairman and Chief Executive Officer not attending the discussion. This policy is based on the relevance and stability of performance criteria, in order to develop a long-term vision securing the best interests of the Group and of the shareholders.

The compensation paid to the Chairman and Chief Executive Officer comprises a fixed portion and a variable short-term and long-term performance-related portion:

- a fixed portion: the annual base salary is driven by the reward market value of the position and is systematically compared with the market practices;
- a variable short-term performance-related portion which rewards annual performance based on achievement of the Group business and financial objectives set every year (such as Earnings per share (EPS) variation, Free Cash-Flow (FCF), Roce, Group performance compared to competitors, etc.) as well as individual performance compared to pre-defined objectives. The general policy of the Company is to set the performance-related portion at a maximum of 160% of fixed compensation, except in exceptional circumstances. The Board of Directors, upon recommendation of the Remunerations Committee may, in exceptional circumstances, grant an additional variable short-term performance-related portion;
- a long-term variable reward comprising Long-term Incentive plans (such as stock options, performance shares or any other long term incentives) which reward the achievement of long-term operational profit measured through cumulative internal and external performance criteria.

Furthermore, Mr Bruno Lafont, in his capacity as Chairman and Chief Executive Officer, benefits from a supplementary defined benefits pension plan through two collective plans applicable to Senior Management. In principle, a person is eligible for this plan only if he is still working in the Company upon his retirement date or if he ends his career in the Company after age 55 on the initiative of the Company. In February 2009, the Board of Directors, following the recommendations of the Afep-Medef Code, decided that the estimated pension amount paid to the Chairman and Chief Executive Officer related to these two plans would not exceed 40% of his last total cash compensation (fixed and variable compensation of the reference period). This cap will be applied as the rule adopted by the Board of Directors for any future Corporate Officer.

In accordance with the aforementioned Code, the remuneration components of the Chief Executive Officer are made public after the Board's meeting during which they are approved.

(1) *G4-52.*

	Compensation elements	Main drivers	Performance criteria
Base compensation	Annual base salary	Position, experience, sustained performance	Market practices, individual performance
Variable compensation	Annual	Achievement of Group business and financial yearly objectives and reward of individual performance (except exceptional circumstances)	Financial part (62.5% of Target short-term annual incentive): achievement of criteria such as EPS, FCF, Ebitda, Roce, change in Lafarge's performance compared to competitors.
			Individual bonus (37.5% of Target short-term annual incentive): achievement of annual individual objectives
	Multi-annual	A) Financial external conditions measured by comparing Lafarge's annual improvement relative to a peer group of companies or based on a criteria linked to the Lafarge S.A. share price, and B) Internal financial conditions	Achievement of external and internal conditions over several years

3.4.3 TOTAL COMPENSATION AND BENEFITS OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

TABLE SUMMARIZING THE COMPENSATION, OPTIONS AND SHARES AWARDED TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

(thousands of euros)	2014	2013
Compensation due in respect of the financial year (detailed in the table below)	1,838	1,890
Valuation of the multi-annual variable compensation due for the financial year (detailed in Section 3.4.3 D.1)[(1)]	578	368
Valuation of the stock options awarded during the financial year (detailed in Section 3.4.3 H.2)[(1)]	-	-
Valuation of the performance shares awarded during the financial year (detailed Section 3.4.3 I.2)[(1)]	723	952
TOTAL	**3,139**	**3,210**

(1) *The Company considers that these items must not be aggregated with the compensation detailed in the table below because the amount of multi-annual compensation, stock options and performance shares' valuation at fair value at the grant date is not a compensation paid to the beneficiary.*

TABLE SUMMARIZING THE COMPENSATION AWARDED TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

	2014		2013	
(thousands of euros)	Amounts earned	Amounts paid	Amounts earned	Amounts paid
Base compensation	975	975	975	975
Annual variable compensation	829	887	887	1,168
Multi-annual variable compensation	N/A	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A	800
Director's fees	30	25	25	25
Fringe benefits	4	4	3	3
TOTAL	**1,838**	**1,891**	**1,890**	**2,971**

a) Fixed compensation paid to the Chairman and Chief Executive Officer in 2014

In 2014, fixed annual compensation paid to the Chairman and Chief Executive Officer was kept at 975,000 euros (Decision of the Board of Directors of February 18, 2014, upon the recommendation of the Remunerations Committee).

b) 2014 Variable part of the compensation (to be paid in 2015)

The policy of the Company is to fix the annual variable part of the Chairman and Chief Executive Officer, except if exceptional circumstances exist, to a maximum of 160% of the fixed remuneration. It is determined based on the achievement of financial objectives for 62.5% and on the realization of qualitative objectives for 37.5%.

The Board of Directors decided the amount of the 2014 annual variable part for the Chairman and Chief Executive Officer at 828,750 euros, which represents 53% of his maximum bonus.

The 2014 financial objectives set for the variable part related to:

- evolution in earnings per share;
- free cash flow generation;
- Ebitda level;
- Roce (return on capital employed);
- Change in Lafarge's performance compared to competitors.

The level of realization of these financial objectives was validated by the Remuneration Committee and the Board of Directors. They are not made public because of the confidentiality linked to the strategy of the Group.

The 2014 individual objectives related to the following areas:

- health and safety;
- budget objectives and rating;
- acceleration measurements of the organic growth;
- strategic plan for the Group;
- financial communication;
- the development of the management team.

c) Deferred variable compensation

The principle of a deferred variable compensation is not planned to date.

d) Multi-annual variable compensation

D.1) VALUE ENHANCEMENT BONUS

2014 GRANT TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

	2014 grant (number)	Valuation (euros)[1]
Bruno Lafont	92,000	578,680 euros

(1) *Value Enhancement Bonus fair value is calculated at grant date using the Black & Scholes model. See Note 21 (Share-based payments) to the consolidated financial statements*

During the meeting held on March 11, 2014, the Board of Directors instituted a long-term incentive program in the form of the allocation of a Value Enhancement Bonus designed to recognize strong growth in Lafarge's share price over the long term. The Board of Directors has decided to grant 92,000 Value Enhancement Bonus units to Mr Bruno Lafont.

At the end of a four-year period (2014 to 2018) and only if 100% of the internal and external performance conditions attached to the program have been achieved, this program allows for the payment of a Value Enhancement Bonus. This will be calculated on the basis of the difference between Lafarge's share price at the end of the program[(1)] and a stock price target set at 75 euros (which represents an increase of over 40% compared to the stock price on December 31, 2013); this difference will be multiplied by the number of bonus units granted. To determine the amount of this bonus, the difference will be multiplied by the number of Value Enhancement Bonus granted, being understood that if the internal performance condition also attached to the program is not achieved, 50% of the Value Enhancement Bonus units will be cancelled.

Moreover the amount to be paid by Value Enhancement Bonus unit is limited to 75 euros (in accordance with the market price of 150 euros).

This program is subject to the achievement of the following external and internal performance conditions:

- the external performance condition is achieved if the share price target set at 75 euros is reached. If this condition is not achieved 100% of the Value Enhancement Bonus units will be cancelled;
- the internal performance condition requires that the average return on capital employed for 2014 to 2017 is greater than or equal to a predetermined target level[(2)]. The amount of Value Enhancement Bonus units giving right to payment will depend on the level of achievement of this condition. If the minimum level is not achieved, 50% of the Value Enhancement Bonus units will be cancelled;
- the program also provides:
  - a continued presence condition, (i) with a pro rata adjustment for length of service in case of disability, death, retirement or loss of rights in other circumstances, (ii) or any loss of rights whatever the reason,
  - a commitment to reinvest a significant proportion of the amounts received in Lafarge shares,
  - a payment in 2018 (acceleration in case of a public offer on Lafarge).

(1) *Average opening price of the shares during the 20 stock market trading sessions preceding March 11, 2018.*

(2) *Target levels set by percentage average Roce margin over the period 2014-2017 are defined in detail. However, for reasons of confidentiality, they are not disclosed to the public.*

At the date of the grant, the valuation of this multi-annual variable remuneration is estimated at 578,860 euros. It is reassessed every year.

In 2014, no amount is due in respect of this multi-annual variable remuneration.

At completion of the project of merger between equals with Holcim, the program would not be accelerated. The target share price of 75 euros would be adjusted to the LafargeHolcim share price which would become the target share price. The internal condition would also be calculated on the basis of LafargeHolcim.

2013 GRANT TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

	2013 grant (number)	Valuation (euros) (1)
Bruno Lafont	50,000	368,000 euros

(1) *Value Enhancement Bonus fair value is calculated at grant date using the Black & Scholes model. See Note 21 (Share-based payments) to the consolidated financial statements*

During the meeting held on March 13, 2013, the Board of Directors instituted a long-term incentive program in the form of the allocation of a Value Enhancement Bonus designed to recognize strong growth in Lafarge's share price over the long term. The Board of Directors has decided to grant 50,000 Value Enhancement Bonus units to Mr Bruno Lafont.

At the end of a four-year period (2013 to 2017), and only if 100% of the internal and external performance conditions attached to the program have been achieved, this program allows for the payment of a Value Enhancement Bonus. This will be calculated on the basis of the difference between Lafarge's share price at the end of the program[1] and a stock price target set at 70 euros (which represents an increase of over 40% compared to the stock price on December 31, 2012); this difference will be multiplied by the number of bonus units granted.

This program is subject to the achievement of the following performance conditions:

- the external performance condition is achieved if the share price target set at 70 euros is reached, which represents an increase of over 40% compared to the stock price on December 31, 2012;
- the internal performance condition requires that the average return on capital employed for 2013 to 2016 is greater than or equal to a predetermined target level[2];
- the program also provides:
  - a continued presence condition, with a pro rata adjustment for length of service in case of disability, death, retirement or loss of rights in other circumstances,
  - a commitment to reinvest a significant proportion of the amounts received in Lafarge shares,
  - a payment in 2017 (acceleration in case of a public offer on Lafarge).

The valuation of this multi-annual variable remuneration is reassessed every year. The valuation at the end of the 2014 financial year was of 346,500 euros. It was of 368,000 euros at its date of grant.

In 2014, no amount is due related to this multi-annual variable remuneration.

At completion of the project of merger between equals with Holcim, the program would not be accelerated. The target share price of 70 euros would be adjusted to the LafargeHolcim share price which would become the target share price. The internal condition would also be calculated on the basis of LafargeHolcim.

D.2) 2009 LONG-TERM INCENTIVE BASED ON THE COMPANY'S PERFORMANCE

Presentation of the plan

On November 5, 2009, the Board of Directors decided to grant a long-term incentive to the Chairman and Chief Executive Officer Bruno Lafont, based on the Company's performance over a period of three to seven years.

Such compensation will be due and payable between 2012 and 2016 insofar as the Company's performance as benchmarked against a group of peer companies in the sector remains in the top half (external performance condition).

Provided this external performance condition is met, the amount of the long-term incentive will depend on the achievement of free cash flow and return on capital employed (Roce) pre-defined objectives over a given period and such objectives correspond to the Company's strategic objectives as set by the Board and already used in relation to the Group's senior management (internal performance conditions). The amount of the long-term incentive will be reduced by a quarter for each internal performance condition which remains unsatisfied. Each performance condition (external and internal) will be tested every two years over the period until it is declared as being fulfilled.

If all performance conditions are satisfied, the long-term incentive will amount to 1,500,000 euros as positively or negatively adjusted based on the evolution of the total shareholder return since the beginning of 2010 (*Total Shareholder Return*, percentage calculated by taking into account dividend and share price evolution).

In 2014, no amount is due related to this multi-annual variable remuneration.

Performance tests

On March 15, 2012, the Board of Directors stated the achievement of the external performance condition only based on the results of the first test. Consequently, 50% of this 2009 long-term remuneration is definitively vested.

On March 11, 2014, the Board of Directors made a second test on the internal performance conditions (based on the adjusted objectives of free cash-flow and Roce). The result of this test shows that these conditions were not achieved. A last test is planned in 2016.

A provision has been recorded in Lafarge accounts for this multi-annual variable remuneration and is reassessed every year. It amounts to 750,000 euros on December 31, 2014

(1) *Average opening price of the shares during the 20 stock market trading sessions preceding March 13, 2017.*

(2) *Target levels set by percentage average Roce margin over the period 2013-2016 are defined in detail. However, for reasons of confidentiality, they are not disclosed to the public.*

e) Exceptional compensation

No exceptional compensation was granted to Mr Bruno Lafont for the financial year 2014.

f) Directors' fees

Directors' fees paid to Mr Bruno Lafont in 2015 (with respect to the 2014 financial year) amounted to 30,000 euros.

The rules applicable to the allocation of Directors' fees adopted on February 18, 2014 by the Board of Directors and used for the calculation of this total are detailed in the above Section 3.4.1 b).

g) Fringe benefits

Mr Bruno Lafont benefits from a company car.

h) Stock Option Plans

H.1) 2014 STOCK OPTIONS GRANT

In 2014, no stock options were granted to Mr Bruno Lafont.

H.2) SUMMARY TABLES ON THE STOCK OPTIONS GRANTED TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The tables below set forth the following information related to Mr Bruno Lafont, Chairman and Chief Executive Officer:

- options granted by Lafarge S.A. and Group subsidiaries in 2014;
- options exercised in 2014;
- total number of options outstanding at December 31, 2014.

OPTIONS GRANTED IN 2014 TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

	Plan No. and date of grant	Type of options	Valuation of options per accounting treatment used in the consolidated accounts (euros)	Total number of options	Exercise price (euros)	Exercise period
Bruno Lafont						No grant in 2014

OPTIONS EXERCISED BY THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

	Plan No. and date of grant	Total number of options exercised	Exercise price (euros)
Bruno Lafont			No exercise in 2014

OPTIONS GRANTED TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER OUTSTANDING AT DECEMBER 31, 2014

	Options exercisable at December 31, 2014	Options not exercisable at December 31, 2014	Total
Bruno Lafont	397,088	105,000[(1)]	502,088[(1)]

(1) *Including options, exercisability of which is conditional upon performance conditions.*

H.3) GENERAL INFORMATION ON THE PRIOR GRANTS TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Information on grant policy, prior grants and performance conditions related to these grants including to the Chairman and Chief Executive Officer are detailed in Sections 3.5.1 and 3.5.2.

PROPORTION OF STOCK OPTIONS SUBJECT TO PERFORMANCE CONDITIONS (HISTORY)

In line with the Afep-Medef Code, the Group's policy is that all stock options granted to the Chairman and Chief Executive Officer must be conditional upon performance requirements.

	2003 and 2004	2005 to 2008	2009	2010	2011	2012	2013 and 2014
Bruno Lafont	43%	50%	No grant	100%	100%	100%	No grant

As the case with other beneficiaries, in case of retirement, or of disability, Mr Bruno Lafont will keep his current or future rights related to the grants of stock options. In case of death, the heirs of Mr Bruno Lafont will keep the benefit of his rights. The shareholders agreed on this subject during the General Meeting of May 7, 2013 (Resolution 5).

H.4) HOLDING RULE – HEDGING INSTRUMENTS APPLICABLE TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER FOR THE STOCK OPTIONS

The Chairman and Chief Executive Officer is required to hold 50% of shares resulting from the exercise of stock options for each allocation until the shares held by the Chairman and Chief Executive Officer (whatever their origin) represent an aggregate amount equivalent to three years of his last fixed pay (based on a calculation taking into account the share price at the time of each exercise of stock options). This rule is applicable to all exercises of options carried out for options awarded that have not yet been exercised until the end of the Chairman and Chief Executive Officer's mandate.

The Chairman and Chief Executive Officer must not use hedging instruments in relation to options granted.

i) Performance share plans

I.1) 2014 PERFORMANCE SHARES GRANT

At its meeting on March 11, 2014, the Board of Directors decided to grant 23,000 Performance Shares to Mr Bruno Lafont, Chairman and Chief Executive Officer, which represents less than 10% of the total grant and 0.01% of issued capital.

The total amount (100%) of Performance Shares granted to Bruno Lafont is subject to the achievement of external and internal performance conditions. The number of shares to be delivered at the end of a three-year period will depend on the level of achievement of these conditions over the period 2014-2016.

- The external performance condition is based on Lafarge's relative performance in terms of Total Shareholder Returns (TSR) and level of Return on Capital Employed (Roce) compared to a panel of reference companies including Lafarge's main competitors for the period from 2014 to 2016. 75% of the grant will be subject to this performance condition, with each of the two criteria (TSR and Roce) accounting for half of this percentage. The number of Performance Shares to be delivered will be determined depending on Lafarge's ranking in this panel.
- The internal performance condition is based on growth in the Group's Ebitda resulting from innovation and performance actions. Target levels have been defined both for the 2014 financial year and for the period from 2014 to 2015. The level of achievement of these targets will determine the number of Performance Shares to be delivered under this part, up to a maximum of 25% of the grant.

The book value at grant date of that award of performance shares was 722,860 euros.

At completion of the project of merger between equals with Holcim, the external condition which is to be evaluated at the end of 2016 would be assessed considering LafargeHolcim performance.

This grant was decided on the basis of Resolution 21 ("authorization to the Board of Directors to grant free existing shares or shares to be issued") passed at the General Meeting of May 7, 2013.

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I.2) SUMMARY TABLES ON THE PERFORMANCE SHARES GRANTED TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The tables below set forth the following information related to Mr Bruno Lafont, Chairman and Chief Executive Officer:

- Performance shares granted by Lafarge S.A. and Group subsidiaries in 2014;
- Performance shares definitively allotted in 2014;
- Total number of Performance shares granted at December 31, 2014.

PERFORMANCE SHARES GRANTED IN 2014 TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

	Plan N° and date of grant	Number of shares granted	Valuation of shares per accounting treatment used in the consolidated accounts[(1)] (euros)	Date of definitive allotment	Date performance shares can be transferred	Performance conditions
Bruno Lafont	AGA 2014 of 03/11/2014	23,000	722,860	03/14/2017	03/15/2019	100% of the shares granted are subject to the performance conditions, as described in Section i.1 above

(1) *Performance share fair value is calculated at grant date using the Black & Scholes model. See Note 21 (Share-based payments) to the consolidated statements.*

PERFORMANCE SHARES DEFINITIVELY ALLOTTED IN 2014 TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

	Plan N° and date of grant	Total number of performance shares definitively alloted
Bruno Lafont	AGA 2011 of 05/12/2011	10,000

TOTAL NUMBER OF PERFORMANCE SHARES GRANTED TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER SINCE 2011

	Total
Bruno Lafont	96,500[1]

(1) *100% of the performance share allotment is conditional upon performance conditions.*

I.3) GENERAL INFORMATION ON THE PRIOR GRANTS TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Performance shares were granted for the first time to the Chairman and Chief Executive Officer in 2011.

Information on grant policy, prior grants and performance conditions related to these grants including to the Chairman and Chief Executive Officer is detailed in Sections 3.5.1 and 3.5.3.

PROPORTION OF PERFORMANCE SHARES SUBJECT TO PERFORMANCE CONDITIONS (HISTORY)

In line with the Afep-Medef Code, the Group's policy is that all performance shares granted to the Chairman and Chief Executive Officer must be conditional upon performance requirements.

	2011	2012	2013	2014
Bruno Lafont	100%	100%	100%	100%

As is the case for the other beneficiaries, in case of retirement or of disability, Mr Bruno Lafont will keep his current or future rights related to the grants of performance shares. In case of death, the heirs of Mr Bruno Lafont will keep the benefit of his rights. The shareholders passed a resolution on this subject during the General Meeting of May 7, 2013 (resolution 5).

I.4) HOLDING RULE – HEDGING INSTRUMENTS APPLICABLE TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER FOR THE PERFORMANCE SHARES

The Chairman and Chief Executive Officer is required to hold 50% of performance shares acquired at the end of the holding period for each allocation, until the shares held by the Chairman and Chief Executive Officer (whatever their origin) represent an aggregate amount equivalent to three years of his last fixed pay (based on a calculation taking into account the share price at the end of the holding period). This rule is applicable to performance shares granted but yet to be acquired, until the end of the Chairman and Chief Executive Officer's mandate.

The Afep-Medef Code recommends that Executive officers must buy a defined quantity of shares when the shares granted become available. The Board of Directors of Lafarge S.A. considers that the holding rule outlined above achieves the same objective as recommended by the Afep-Medef Code, making it unnecessary to impose a further obligation on corporate officers regarding the purchase of a defined quantity of shares upon definitive allotment of performance shares. This is particularly the case for Mr Bruno Lafont given the number of shares already held by the Chairman and Chief Executive Officer further to past acquisitions and amounting to 37,506 shares as at December 31, 2014.

The Chairman and Chief Executive Officer must not use hedging instruments in relation to performance shares granted.

j) Employment contract and Severance arrangements for the Chairman and Chief Executive Officer

J.1) EMPLOYMENT CONTRACT OF MR BRUNO LAFONT

At their Meeting on July 27, 2011, further to a recommendation by the Corporate Governance and Nominations Committee, the Board of Directors decided to maintain Mr Bruno Lafont's suspended employment contract and amend said employment contract in order to remove Mr Bruno Lafont's commitment not to leave the Company before June 30, 2011 in consideration for which the dismissal notice period may run up until this date.

The Board considers that its decision to maintain Mr Bruno Lafont's employment contract initially entered into on January 1, 1983 is warranted:

- in view of his 32 years' service with the Group (and 24 years' performance of his employment contract until it was suspended in 2006 when he was appointed Chief Executive Officer);
- as it encourages an internal promotion policy allowing for the appointment of Corporate Officers (mandataires sociaux) from among experienced senior executives (cadres dirigeants) with in-depth knowledge of the industry and markets on which Lafarge operates and for whom the loss of rights deriving from their employment contracts and length of service (e.g., severance compensation under the collective bargaining agreement) would act as a drawback.

This amendment to the employment contract was approved by the Company's General Meeting of May 15, 2012.

These decisions have not changed Mr Bruno Lafont's position in particular with regard to his pension plan or severance compensation entitlement.

J.2) SEVERANCE COMPENSATION RELATED TO MR BRUNO LAFONT SUSPENDED EMPLOYMENT CONTRACT

In compliance with the procedure on related-party agreements and commitments, the shareholders have voted on this subject at the Combined General Meeting of May 7, 2013 (Resolution 5) for the last time.

The employment agreement of Mr Bruno Lafont was suspended upon his appointment to serve as a corporate officer in 2006. That agreement includes contractual severance compensation payable subject to certain conditions, including a performance condition.

Following the automatic resumption of his employment agreement in the event Mr Bruno Lafont were to cease serving in his corporate offices (Chairman and Chief Executive Officer), the contractual severance compensation in case of dismissal (other than for gross negligence or serious misconduct) would only be owed to Mr Bruno Lafont if a series of conditions are met:

- condition related to the event triggering the right to contractual severance compensation: The dismissal must take place after a change of control (meaning (i) a change in the Company's capital characterized by the holding by Groupe Bruxelles Lambert and NNS Holding Sàrl, not acting in concert, of more than 50% in total of the Company's voting rights or (ii) the fact that another shareholder or several shareholders acting in concert hold more than 50% of the Company's voting rights) or after a change in the Company's strategy;
- performance condition: This condition will be satisfied and the contractual severance compensation would be paid if two of the following three criteria are satisfied. If only one criterion out of the three is satisfied, the condition will only be partially satisfied and only one half of the contractual severance compensation would be paid. If none of the criteria are satisfied, the condition would not be satisfied and no contractual severance compensation would be paid. The three criteria to be satisfied, over the last three fiscal years preceding the employment contract's termination, are as follows:
  - on average, over the last three fiscal years: the after-tax return on invested capital is greater than the Average Weighted Cost of the Capital. Here, the term Average Weighted Cost of the Capital means the sum of the cost of debt multiplied by the total debt divided by the total of the capital and cost of equity multiplied by the equity and divided by the total of capital (Group figures),
  - on average, over the last three fiscal years: the ratio Ebitda/ Turnover is strictly greater than 18% (Group figures),
  - on average, over the last three fiscal years: the average percentage of given bonuses under the Employment Contract or the Term of Office is greater than 60% of the maximum bonus.

The maximum amount of this contractual severance compensation would be equal to two years of total gross compensation received by Mr Bruno Lafont for the most favorable of the three years preceding the date of his dismissal notice. This calculation basis is the same as for the dismissal compensation under the Collective Bargaining Agreement.

In addition, so as to ensure that the total amount of the compensation due to Mr Bruno Lafont in case of departure remains within this limit, such contractual severance compensation would be reduced by the amount of the dismissal compensation due to Mr Bruno Lafont pursuant to and in compliance with the terms of the Collective Bargaining Agreement applicable to engineers and executives in the cement production industry, which apply to his employment agreement in view of his length of service within the Group (32 years). In application of mandatory French labor laws, the dismissal compensation is subject to the conditions set forth under the Collective Bargaining Agreement.

A job elimination or decrease in level of responsibilities would also constitute a case of dismissal providing entitlement to such compensations.

k) Non-compete clause payments

There is no non-compete clause.

l) Supplementary Pensions Schemes

In compliance with the procedure on related-party agreements and commitments, the shareholders have voted on this subject at the General Meetings of May 24, 2006 (Resolution 4) and May 6, 2009 (Resolution 4).

According to the Company's general principles of compensation, Bruno Lafont is eligible for a supplementary defined benefits plan defined through two group plans applicable, under certain conditions, to certain senior executives. There is no specific pension plan for Corporate Officers. Due to his 32 years of service within the Group, this plan would provide him with a pension equal to 26% of his reference salary[(1)] in excess of 8 times the annual French social security cap to which an additional 13% would be added in excess of 16 times the annual French social security cap.

As an example, if the calculation was made on the basis of the last three years (2012-2014), the annual pension paid to Mr Bruno Lafont would represent approximately 33% of his annual fixed and variable compensation due for the reference period (versus 45% maximum recommended).

The two plans of this pension scheme remain open and potentially benefit, under certain conditions, for one plan to all executives of Lafarge and its French subsidiaries, and for the other plan to all the members of the Group Executive Committee.

The other key features of this scheme and of the two collective plans composing it are as follows:

- this scheme applies only if, at the time of payment of the pension, the beneficiary is still employed by the Company or if he ended his career at the initiative of the Company after the age 55;
- these plans, among other conditions, respectively include a condition of a minimum seniority of 5 and 3 years in various positions within the Group in order to benefit from these plans (versus 2 years recommended). These conditions are met for Mr Bruno Lafont;
- the calculation of the amounts to be paid according to these plans is capped at respectively 20 and 10 years of service in various positions within the Group. These ceilings are reached concerning Mr Bruno Lafont.
- as recommended, the possible cumulative annual growth of the potential benefits under these two plans is less than 5% of the reference salary.

Finally, during its meeting of March 11, 2015, the Board of Directors approved amendments to the two French supplementary pension plans and related insurance contracts. Amendments to the Plan's rules are necessary in order to maintain past-service pension rights for eligible beneficiaries who would be localized within LafargeHolcim in Switzerland following the completion of the proposed merger between Lafarge and Holcim Ltd. These amendments do not lead to any increase of pension rights granted to Mr Bruno Lafont. Such amendments constitute new related-party agreements subject to the approval of shareholders at the General Meeting to be held on May 7, 2015.

See the special report of the statutory auditors on related-party agreements and commitments on page F105 as well as Note 30 (Related parties) to the consolidated financial statements for more information.

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(1) *Reference salary is the average of the last three annual fixed and variable compensation (excluding multi-annual compensation).*

SUMMARY

	EMPLOYMENT CONTRACT		SUPPLEMENTARY PENSION PLAN		SEVERANCE ARRANGEMENTS PAID OR TO BE PAID IN CASE OF TERMINATION OR CHANGE OF POSITION		NON-COMPETE CLAUSE PAYMENTS	
Corporate officer	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Bruno Lafont[1] Chairman and Chief Executive Officer	◆ *(see Section j.1)*		◆ *(see Section l)*		◆ *(see Section j.2)*			◆ *(see Section k)*

(1) *Bruno Lafont was appointed as Director on May 25, 2005, Chief Executive Officer on January 1, 2006 and Chairman and Chief Executive Officer on May 3, 2007.*

3.4.4 COMPENSATION ELEMENTS DUE OR GRANTED IN 2014 TO THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER SUBMITTED FOR NOTICE TO SHAREHOLDERS AT THE GENERAL MEETING ON MAY 7, 2015 ("SAY ON PAY")[1]

Compensation elements due or granted during the financial year	Amounts or book value submitted to vote	Presentation
Fixed compensation	**975,000 euros** (amount paid)	No increase in 2014 compared to the 2013 fixed remuneration.
Annual variable compensation	**828,750 euros** (amount due, to be paid in 2015)	The 2014 annual variable part represents 53% of the maximum bonus. The 2014 financial objectives set for the variable part related to: the variation in earnings per share, the free cash flow generation, the level of Ebitda, the Roce (return on capital employed) and the evolution in Lafarge's performance compared to competitors. The level of realization of these financial objectives was validated by the Remunerations Committee and the Board of Directors. The 2014 qualitative objectives were related to the following areas: health and safety, budgetary target and credit rating, measures to accelerate organic growth, strategic plan for the Group, financial communications and the development of the management team. The policy of the Company is to set the annual variable part of the Chairman and Chief Executive Officer, except if exceptional circumstances, to a maximum of 160% of the fixed remuneration. It is determined based on the achievement of financial objectives for 62,5% and on the realization of qualitative objectives for 37,5%.
Deferred variable compensation	**N/A**	The principle of a deferred variable compensation is not planned.

(1) *G4-53.*

Compensation elements due or granted during the financial year	Amounts or book value submitted to vote	Presentation
Multi-annual variable compensation	**0 euro** No amount is due	**2014 Value Enhancement Bonus:** - Grant of 92,000 Value Enhancement Bonus (VEB) units (Board of Directors of March 11, 2014). - At the end of a four-year period (2014 to 2018), and only if the external performance condition linked to the share price has been achieved, payment of a bonus amounting to the difference between Lafarge's share price at the end of the program(1) and a stock price target set at 75 euros will be given. To determine the amount of this bonus, the difference will be multiplied by the number of VEB units granted, being said that if the internal performance condition also attached to the program is not achieved, 50% of the granted VEB units will be cancelled. - Cap: the amount which could be granted by VEB unit is capped at 75 euros. - Performance conditions: - the external performance condition is achieved if the share price target set at 75 euros is reached; - the internal performance condition: level of average return on capital employed for 2014 to 2017 achieved by comparison to the performance benchmarks(2). The number of VEB units giving right to payment depends on the level reached by the internal performance condition. If the minimum performance benchmark is not achieved, 50% of VEB units granted will be cancelled. - The program provides for a payment in 2018. No amount is due related to this compensation for 2014. - At the date of grant, the valuation of this multi-annual variable remuneration is estimated at 578,680 euros. It is reassessed every year. **Other multi-annual variable compensation plans:** The description of the attributed plans during the previous financial year, and still in place, is included in Section 3.4.3 – d (page 112) of this Registration Document.

(1) *Average opening prices of Lafarge shares during the twenty trading days preceding March 11, 2018.*
(2) *The performance benchmarks are fixed on Roce's average margin percentage as defined for the 2014 to 2017 period. They are not made public due to confidentiality issues.*

Compensation elements due or granted during the financial year	Amounts or book value submitted to vote	Presentation
Exceptional compensation	**N/A**	No exceptional compensation was granted to the Chairman and Chief Executive Officer for the 2014 financial year.
Stock options, performance shares	**Performance shares =** 722,860 euros (book value)	**2014 Performance shares grant:** - Grant of 23,000 performance shares, representing less than 10% of the total of performance shares granted and 0.01% of the current share capital of the Company. - 100% of the grant is subject to the achievement of external and internal performance conditions. The number of shares to be delivered at the end of a three-year period will depend on the level of achievement of these conditions over the period 2014-2016. - external performance condition (related to 75% of the grant): Lafarge's relative performance in terms of (i) Total Shareholder Returns (TSR) and (ii) level of Return on Capital Employed (Roce), compared to a panel of reference companies including Lafarge's main competitors for the period from 2014 to 2016. The number of performance shares to be delivered will be determined depending on Lafarge's ranking in this panel. - internal performance condition (related to 25% of the grant): growth in the Group's Ebitda resulting from innovation and performance actions (target levels have been defined both for the 2014 financial year and for the period from 2014 to 2015). - This grant was decided by the Board of Directors on March 11, 2014 on the basis of Resolution 21 ("Authorization to the Board of Directors to grant free existing shares or shares to be issued") passed at the General Meeting of May 7, 2013.
	Stock Options = N/A	No grant of stock options

Compensation elements due or granted during the financial year	Amounts or book value submitted to vote	Presentation
Directors' fees	**30,000 euros** (amount due, to be paid in 2015)	Computation of Directors fees paid to Bruno Lafont in application of the allocation rules adopted by the Board of Directors on February 18, 2014 and described in Section 3.4.1-b (page 109) of this Registration Document (30,000 euros = 10,000 euros (fixed fee) + 20,000 euros (variable fee).
Valuation of the fringe benefits	**4,000 euros** (book value)	Mr Bruno Lafont benefits from a company car.

Compensation elements due or granted in 2014 submitted to the vote of the General Meeting according to the procedure on related-party agreements and commitments	Amounts submitted to the vote	Presentation
Severance compensation	**0 euro** No amount is due	**Severance compensation related to the suspended employment contract of Bruno Lafont:** In compliance with the procedure on related-party agreements and commitments, the shareholders have voted on this subject at the Combined General Meeting of May 7, 2013 (Resolution 5) for the last time. The description of the severance compensation related to the suspended employment agreement of Mr Bruno Lafont is detailed in Section 3.4.3-j.2 (page 116) of the present Registration Document.
Non-compete clause payments	**N/A**	There is no non-compete clause.
Supplementary Pensions Schemes	**0 euro** No amount is due	**Supplementary Pensions Schemes:** In compliance with the procedure on related-party agreements and commitments, the shareholders have voted on this subject at the General Meetings of May 24, 2006 (Resolution 4) and May 6, 2009 (Resolution 4). The description of the supplementary defined pensions benefits under the two collective plans applicable to Mr Bruno Lafont are detailed in Section 3.4.3-l (page 117) of the present Registration Document.

3.4.5 COMPENSATION OF THE EXECUTIVE OFFICERS

a) General information on compensation of the Executive Officers and pension commitment

The Executive Officers include Mr Bruno Lafont, Chairman and Chief Executive Officer, and the members of the Executive Committee.

	2014 Financial year	2013 Financial year
Average number of persons(1)	11	10.3
Amount paid (million euros)(2)	10.0	12.0
Pension commitment (million euros)(3)	64.0	47.5

(1) *All those who were Executive Officers for the period of the year during which they were Executive Officers (for the evolution of the number of members of the Group Executive Committee, please see Section 3.3, page 107).*

(2) *This amount includes:*
- *the fixed compensation of Executive Officers for the related year;*
- *a qualitative performance component, a financial performance component and a collective performance component as the variable portion paid for the preceding year (and if applicable the exceptional variable compensation);*
- *Directors' fees paid by Lafarge S.A. to Mr Bruno Lafont;*
- *if applicable, the amounts related to the multi-annual variable compensation.*

(3) *The evolution of the global commitment between 2013 and 2014 is due principally to the update of actuarial hypotheses (lower discount rate and technical rate) and impact of tax rules, as well as the acquisition of rights for an additional year, [G4-EC3].*

b) Stock options granted to the Executive Officers

The Chairman and Chief Executive Officer and the Executives officers of the Company as detailed in Section 3.3 (Executive Officers) hold 23.12% of unexercised options on December 31, 2014, with 8.73% held by the Chairman and Chief Executive Officer.

Information on the grant policy, prior grants and performance criteria attached to these grants is mentioned in Sections 3.5.1 and 3.5.2.

c) Performance shares granted to the Executive Officers

The Chairman and Chief Executive Officer and the Executives officers of the Company as detailed in Section 3.3 (Executive Officers) hold 14.46% of the performance shares (not definitively acquired) on December 31, 2014, with 5.28% held by the Chairman and Chief Executive Officer.

Information on the grant policy, prior grants and performance criteria attached to these grants is mentioned in Sections 3.5.1 and 3.5.3.

d) Holding rule – hedging instruments applicable to Executive Officers for the stock options and performance shares

Each member of the Executive Committee has the obligation (i) to reinvest in Lafarge S.A. shares one third of the potential gain (net of tax) realized upon the exercise of stock options and (ii) to keep at the end of the holding period one third of the performance shares awarded at each grant, until he/she holds an aggregate number of Lafarge S.A. shares for a value equivalent to his/her total fixed annual remuneration until the end of his/her mandate as a member of the Group Executive Committee.

They must not use hedging instruments in relation to stock options and performance shares granted.

The specific rules for the Chairman and Chief Executive Officer are stated in Sections 3.4.3 H.4 and 3.4.3 I.4.

3.5 LONG-TERM INCENTIVES (STOCK OPTIONS AND PERFORMANCE SHARE PLANS)

3.5.1 GRANT POLICY – PERFORMANCE CONDITIONS AND HOLDING RULE

a) Grant policy

The objective of the Group's remuneration policy is to reward and retain key talent while providing managers and employees with an opportunity to share in the success of the Group's business including through the grant of stock options and performance shares (free allotment of shares), which are connected to the Group's long-term strategy. Stock options and/or performance shares are granted to the Chairman and Chief Executive Officer, senior management, middle management and some key performers in recognition of their commitment and achievements for the Group.

Stock options and performance shares are granted by the Board of Directors upon a recommendation of the Remunerations Committee. Grants are made annually, usually during a Board of Directors' meeting held in March.

Regarding stock options, the Group's practice since 2002 is to allocate share subscription options. No discount is applied to the exercise price.

Following the Afep-Medef Code recommendations, the Board of Directors decided to limit the number of stock options or performance shares attributable to Corporate Officers. Under this rule, the proportion of options and performance shares attributable to Corporate Officers may not exceed respectively 10% of the total amount of options and 10% of the total amount of performance shares granted during any given financial year.

b) Performance conditions applicable to the grants of stock options and performance shares

PROPORTION OF OPTIONS OR PERFORMANCE SHARES SUBJECT TO PERFORMANCE CONDITIONS

Corporate Officers and Group Executive Committee Members
In line with the Afep-Medef Code, the Group's current policy is that all stock options and performance shares granted to the Chairman and Chief Executive Officer and the Group's Executive Committee Members must be conditional upon performance requirements.

A history of the proportion of the grants subject to performance conditions and applicable to the Chairman and Chief Executive Officer and Executive Committee Members is set out below.

	2004	2005 to 2007	2008	2009	2010	2011	2012	2013	2014
Bruno Lafont	43%	50%	50%	No grant	100%	100%	100%	100%	100%
Executive Committee members	30%	50%	63%	70%	70%	80%	100%	100%	100%

Other employees
Stock options and performance shares granted to other employees are also fully conditional upon performance requirements since 2013.

APPLICABLE PERFORMANCE CONDITIONS

Since 2011, stock options and performance shares granted are conditional upon several performance criteria which have been set in advance, and this applies to all beneficiaries.

2014 Grant
The performance criteria applicable to the 2014 grant are based on external and internal conditions. External conditions must be met over a period of three years. The level of achievement of external conditions will be evaluated by averaging the results obtained at the end of each year. Internal conditions must be met over a period of two years.

Regarding the Executive Committee Members and the Chairman and Chief Executive Officer:

- the achievement of the external condition determines the acquisition of 75% of the award subject to performance conditions. The external condition is based on Lafarge relative performance compared to its main competitors for each of the following two criteria: return on capital employed (Roce) and total shareholder return (TSR). Various levels of achievement have been identified for these objectives, in line with the Group's strategic plan. These levels of achievement define the percentage of acquisition. For both external conditions, these thresholds are: 30% if the first level is reached, 45% if the second level is reached, 60% if the third level is reached, 75% if the fourth level is reached;
- the achievement of the internal conditions determines the acquisition of 25% of the award subject to performance conditions. The internal conditions are based on the increase in Ebitda related to action plans aiming at cost reductions, and innovation in 2014

and 2015. A level of achievement has been identified for these objectives in line with the Group's strategic plan. This level of achievement determines the percentage of acquisition.

The level set to achieve 100% of internal performance conditions is ambitious.

Regarding the other beneficiaries, all grants are subject to performance conditions although for most of them, only internal performance conditions are applicable. Internal performance targets also vary depending on to the level of responsibility of the beneficiaries.

At completion of the project of merger between equals with Holcim, the external condition which is to be evaluated at the end of 2016 would be assessed considering LafargeHolcim performance.

SUMMARY OF THE PERFORMANCE CONDITIONS APPLICABLE TO THE GRANTS OF THE CORPORATE OFFICERS AND MEMBERS OF THE EXECUTIVE COMMITTEE

		Corporate Officers	Executive Committee Members
2007 and 2008	Internal Conditions	"Excellence 2008" cost reduction targets	
2009	External Condition	No grant	Lafarge's relative performance compared to peers (2009, 2010 and 2011 average). If the external condition is not met in 2012, a new test will be implemented in 2013 and 2015.
	Internal Conditions		FCF (Free Cash Flow) and Roce targets (2009, 2010 and 2011 average).
2010	External Condition	Lafarge's relative performance compared to peers (2010, 2011 and 2012 average).	
	Internal Conditions	FCF and Roce targets (2010, 2011 and 2012 average).	
2011	External Condition	Lafarge's relative performance compared to peers (2011, 2012 and 2013 average).	
	Internal Conditions	FCF and Roce targets (2011, 2012 and 2013 average). The vested portion depends on the level of performance achievement (there are 3 levels of performance conditions for each of the FCF and Roce targets).	
2012	External Condition	Lafarge's relative performance compared to peers (2012, 2013 and 2014 average).	
	Internal Conditions	FCF and Roce targets (2012, 2013 and 2014 average). The vested portion depends on the level of performance achievement (there are 3 levels of performance conditions for each of the FCF and Roce targets). For members of the Executive Committee part of the internal performance condition is linked to 2012 cost reduction targets.	
2013	External Condition	Lafarge's relative performance compared to peers (2013, 2014 and 2015 average).	
	Internal Conditions	Ebitda growth resulting from cost reduction, innovation and performance targets for 2013 and 2014.	
2014	External Condition	Lafarge's relative performance compared to peers (2014, 2015, 2016 average).	
	Internal Conditions	Ebitda growth resulting from cost reduction and innovation targets for 2014 and 2015.	

2013 Grant

The performance criteria applicable to the 2013 grant are based on external and internal conditions. External conditions must be met over a period of three years. The level of achievement of external conditions will be evaluated by averaging the results obtained at the end of each year. Internal conditions must be met over a period of two years.

Regarding the Executive Committee Members and the Chairman and Chief Executive Officer:

- the achievement of the external condition determines the acquisition of 75% of the award subject to performance conditions. The external condition is based on Lafarge relative performance compared to its main competitors for each of the following two criteria: return on capital employed (Roce) and total shareholder return (TSR). Five levels of achievement have been identified for these objectives, in line with the Group's strategic plan. These levels of achievement define the percentage of acquisition. For both external conditions, these thresholds are: 30% if the first level is reached, 45% if the second level is reached, 52.5% if the third level is reached, 60% if the fourth level is reached and 75% if the fifth level is reached;
- the achievement of the internal conditions determines the acquisition of 25% of the award subject to performance conditions. The internal conditions are based on the increase in Ebitda related to action plans aiming at costs reduction, innovation and performance in 2013 and 2014. Three levels of achievement have been identified for these objectives in line with the Group's strategic plan. These levels of achievement define the percentage of acquisition. For internal conditions, these thresholds are as follows: 6.25% if the first level is reached, 9.37% if the second level is reached and 12.5% if the third level is reached.

Regarding the Chairman and Chief Executive Officer and the Executive Committee Members 15% of the internal performance conditions applicable to 2013 grants were not met and the corresponding performance shares will be cancelled.

The level set to achieve 100% of internal performance conditions is ambitious.

At completion of the project of merger between equals with Holcim, the external condition which is to be evaluated at the end of 2015 would be assessed considering LafargeHolcim performance.

Regarding the other beneficiaries, all grants are subject to performance conditions although for most of them, only internal performance conditions are applicable. Internal performance targets also vary depending on to the level of responsibility of the beneficiaries.

2011 and 2012 grants

The performance conditions for 2011 and 2012 grants are both external and internal. These conditions must be met over a three year period. The level of achievement of each condition is to be measured at the end of each year and achievement is calculated as an average of these three years.

The external condition is based on the Group's relative performance compared to its competitors in relation to the following: return on capital employed (Roce), total shareholder return (TSR) and free cash flow (FCF). The Group's relative performance on these three criteria must be within the top tier of the benchmark for the performance condition to be met. If not, entitlement to half of the grant submitted to performance conditions is cancelled.

The internal performance conditions, which apply to the other half of the grant subject to performance conditions, are based on free cash flow (FCF) and return on capital employed (Roce) targets. Three levels have been set for each of these two targets, in line with the Group's strategic plan. The percentage of entitlement to the grant which is subject to performance conditions depends on the level of achievement of each target. The percentages are as follows, for each target: 12.5% if the first level is achieved, 18.75% if the second level is achieved and 25% if the third level is achieved.

The levels set to achieve 100% of the internal performance conditions are ambitious.

The proportion of performance shares and stock options subject to these performance criteria depends on the level of responsibility of the eligible population.

Part (50%) of the performance conditions applicable to the 2011 and 2012 grants were not met and the corresponding stock options and performance shares were cancelled.

2012 additional performance shares plan

Based on cost reduction targets at Group level, additional performance shares have been granted to Senior and Middle management of the Group. Cost reduction performance applies to 100% of this additional grant and to all beneficiaries.

The performance condition is based on the Group cost reduction results. The vested portion depends on the level of achievement of the target. Three levels have been set: 50% if the first level is achieved, 75% if the second level is achieved and 100% if the third level is achieved. The third level of this performance condition has been achieved for 2012.

The Chairman and Chief Executive Officer was not eligible to this additional grant.

Prior grants

In 2009 and 2010, stock options granted to members of the Executive Committee and some senior executives were also conditional upon several performance criteria, which were external based on the Group's performance compared to competitors and internal based on free cash flow, return on capital employed, Ebitda or cost reduction targets. These criteria were alternate or combined in part, depending on the grant year and on the level of responsibility of the eligible population. These criteria also applied to stock options granted to the Chairman and Chief Executive Officer in 2010 (no options were granted to him in 2009). Part of the performance conditions applicable to the grants made in 2009 and 2010 were not met and the corresponding stock options have been cancelled.

In 2007 and 2008, stock options granted to the Chairman and Chief Executive Officer, members of the Executive Committee and some senior executives had for sole performance condition cost reduction targets as part of the Excellence 2008 program.

From 2007 until 2010, the performance condition applicable to stock options and performance shares granted to employees (other than members of the Executive Committee and some senior executives) was the achievement of cost reduction targets as part of the Excellence 2008 program (for 2007 and 2008 grants) and the Excellence 2010 program (for 2009 and 2010 grants).

All performance conditions based on the cost reduction targets set out in the Excellence programs have been met.

SUMMARY OF THE ACHIEVEMENT OF THE PERFORMANCE CONDITIONS APPLICABLE TO THE GRANTS OF THE CORPORATE OFFICERS AND MEMBERS OF THE EXECUTIVE COMMITTEE

	Corporate Officers	Executive Committee Members	Performance conditions achievement
2007 and 2008	"Excellence 2008" cost reduction targets		Conditions achieved
2009	No grant	Lafarge's relative performance compared to peers (2009, 2010 and 2011 average). If the external condition is not met in 2012, a new test will be implemented in 2013 and 2015. FCF and Roce targets (2009, 2010 and 2011 average).	External condition achieved. Internal conditions not achieved. 50% of the performance conditions were met
2010	Lafarge's relative performance compared to peers (2010, 2011 and 2012 average). FCF and Roce targets (2010, 2011 and 2012 average).		External condition achieved. Internal conditions not achieved. 50% of the performance conditions were met
2011	Lafarge's relative performance compared to peers (2011, 2012 and 2013 average). FCF and Roce targets (2011, 2012 and 2013 average).		External condition achieved. Internal conditions not achieved. 50% of the performance conditions were met
2012	Lafarge's relative performance compared to peers (2012, 2013 and 2014 average). FCF and Roce targets (2012, 2013 and 2014 average).		External condition achieved. Internal conditions not achieved. 50% of the performance conditions were met

	Corporate Officers	Executive Committee Members	Performance conditions achievement
2013	Lafarge's relative performance compared to peers (2013, 2014 and 2015 average). Ebitda growth resulting from cost reduction, innovation and performance targets for 2013 and 2014.		External condition's achievement to be evaluated in 2015. Internal conditions partly achieved.
2014	Lafarge's relative performance compared to peers (2014, 2015 and 2016 average). Ebitda growth resulting from cost reduction, innovation and performance targets for 2014 and 2015.		Conditions' achievement to be evaluated in 2015 and 2016

c) Holding rule – hedging instruments

The holding rules and hedging instruments relative to:

- the Chairman and Chief Executive Officer are available in Sections 3.4.3 H.4 and 3.4.3 I.4;
- the Members of the Executive Committee are available in Section 3.4.5 D.

d) Insider dealing rules relating to the sale of shares resulting from stock option and performance share plans

Specific insider dealing rules apply to the sale of performance shares and to the sale of shares obtained through the exercise of stock options, when the sale and the exercise are simultaneous. In these cases, Group Executives (including Directors and members of the Executive Committee) are prohibited from trading in the Company's securities during non authorized periods.

These periods start thirty days prior to the date of publication of quarterly, half-yearly or annual results and end ten trading days after such publication for sales of performance shares or for the sale of shares obtained through the exercise of stock options, when the sale and the exercise are simultaneous.

3.5.2 STOCK OPTION PLANS

Total stock options outstanding at the end of December 2014 were 5,752,615 representing approximately 2% of our outstanding shares on that date.

a) Main terms of the stock options plans

STOCK OPTION TERMS

All stock options are valid for a period of 10 years.

The exercise price of options is set as the average of the share price during the twenty trading days preceding the date of grant by the Board of Directors. No discount is applied to the exercise price.

TERM OF EXERCISE

Since December 2001, the stock options granted are subject to a four-year vesting period.

For stock options granted since 2007, this restriction on availability of the stock options will automatically cease to apply if, within this 4 year period, there is a public offering for Lafarge S.A.'s shares or Lafarge S.A. merges with or is absorbed by another company.

CANCELLATION OF OPTIONS

Stock options not exercised within 10 years of their date of grant are cancelled.

Since 2007, stock options are also cancelled in specific circumstances, such as resignation or termination of employment. The right to stock options may be maintained if the beneficiary's employing company is sold outside the Group.

b) Financial year 2014: information on grants and exercise

No stock options were granted during the financial year 2014.

TOTAL OF THE TEN LARGEST OPTION GRANTS MADE TO THE GROUP'S EMPLOYEES OTHER THAN THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER, AND THE TOTAL OF THE TEN LARGEST OPTION EXERCISES

	Total number of options granted/ shares subscribed or purchased	Exercise price (euros)	Plan No.
Options granted during the 2014 financial year by the issuer and its consolidated subsidiaries for stock option grant purposes to the ten employees of the issuer and its subsidiaries having received the largest grants (global information)			
Lafarge S.A.	No stock options were granted during the financial year 2014		
Shares[(1)] subscribed or purchased during the 2014 financial year as a result of the exercise of stock options of the issuer and its consolidated subsidiaries for stock option grant purposes, by the ten employees of the issuer and its subsidiaries having subscribed or purchased the largest number of shares (global information)			
Lafarge S.A.	10,364	61.19	OSA 2004 of 12/14/2004
Lafarge S.A.	8,678	62.78	OSA 2005 of 12/16/2005
Lafarge S.A.	27,136	30.74	OSA 2009 of 03/25/2009
Lafarge S.A.	13,750	51.30	OSA 2010 of 03/24/2010

(1) *One share per option.*

c) Information on outstanding stock options outstanding in 2014

The total number of shares that could be subscribed or purchased upon exercise of the options, and the exercise price set forth in the following tables have been readjusted since the date of grant to reflect transactions that have affected option value, such as certain increases in the share capital or the issue of performance shares to existing shareholders, to maintain a constant total option value for each beneficiary as provided by law.

OPTIONS TO SUBSCRIBE FOR SHARES GRANTED FROM DECEMBER 14, 2004 TO MAY 24, 2006

	OSA 2004 12/14/2004	OSA 2005 12/16/2005	OSA 2006-1 05/24/2006
Allotment authorized by the Shareholders' Meeting of	05/20/2003	05/25/2005	05/25/2005
Date of allotment by the Board of Directors	12/14/2004	12/16/2005	05/24/2006
Type of options	subscription	subscription	subscription
The total number of shares that could be subscribed upon exercise of the options	791,575	1,466,294	768,626
Of which by Directors and Chairman and Chief Executive Officer			
Bruno Lafont	*34,709*	*69,418*	*69,418*
Bertrand Collomb	*46,279*	*46,278*	-
Initial beneficiaries (total)	479	1,916	536
Available for exercise from	12/14/2008	12/16/2009	05/24/2010
Option exercise period lapses	12/14/2014	12/16/2015	05/24/2016
Exercise price (euros)	61.19	62.78	84.42
Total number of options subscribed as at December 31, 2014	**32,737**	**57,359**	**3,050**
Total number of options cancelled or that have lapsed[(1)]	**758,838**	**116,541**	**46,598**
OPTIONS OUTSTANDING AT DECEMBER 31, 2014	**0**	**1,292,394**	**718,978**

(1) *In accordance with the terms of the plan.*

OPTIONS TO SUBSCRIBE FOR SHARES GRANTED FROM MAY 24, 2006 TO MARCH 15, 2012

	OSA 2006-2 05/24/2006	OSA 2007 06/15/2007	OSA 2008 03/26/2008	OSA 2009 03/25/2009	OSA 2010 03/24/2010	OSA 2011 03/15/2011	OSA 2012 03/15/2012
Allotment authorized by the Shareholders' Meeting of	05/25/2005	05/03/2007	05/03/2007	05/03/2007	05/06/2009	05/06/2009	05/12/2011
Date of allotment by the Board of Directors	05/24/2006	06/15/2007	03/26/2008	03/25/2009	03/24/2010	03/15/2011	03/15/2012
Type of options	subscription	subscription	subscription	subscription	subscription	subscription	subscription
The total number of shares that could be subscribed upon exercise of the options	171,980	621,865	819,487	744,045	1,203,500	781,980	789,920
Of which by Directors and the Chairman and Chief Executive Officer							
Bruno Lafont	-	*69,418*	*138,834*	-	*100,000*	*70,000*	*70,000*
Bertrand Collomb	-	-	-	-	-	-	-
Initial beneficiaries (total)	33	169	184	197	596	206	214
Available for exercise from	05/24/2010	06/15/2011	03/26/2012	03/25/2013	03/24/2014	03/15/2015	03/15/2016
Option exercise period lapses	05/24/2016	06/15/2017	03/26/2018	03/25/2019	03/24/2020	03/15/2021	03/15/2022
Exercise price (euros)	84.42	110.77	96.18	30.74	51.30	44.50	36.00
Total number of options subscribed as at December 31, 2014	**0**	**0**	**0**	**198,641**	**60,538**	**0**	**0**
Total number of options cancelled or that have lapsed[(1)]	**15,785**	**68,136**	**79,010**	**143,069**	**519,908**	**264,247**	**42,200**
OPTIONS OUTSTANDING AT DECEMBER 31, 2014	**156,195**	**553,729**	**740,477**	**402,335**	**623,054**	**517,733**	**747,720**

(1) *In accordance with the terms of the plan.*

d) Financial year 2015: Information on grants

On the date of this Registration Document, no options to subscribe for or acquire shares had been granted in fiscal year 2015.

3.5.3 PERFORMANCE SHARE PLANS

The total number of outstanding performance shares at the end of December 2014 was 1,448,784, representing approximately 0.5% of the Company's share capital on December 31, 2014.

a) Main terms of the performance shares plans

PERFORMANCE SHARE TERMS

Performance shares are definitively allotted to beneficiaries upon expiry of a two-year or three-year since 2011 vesting period for French tax residents or upon expiry of a four-year vesting period for non-French tax residents. In addition, French tax residents must also hold the performance shares for a further period of two years following definitive allotment.

LOSS OF RIGHTS TO THE PERFORMANCE SHARES

Under certain circumstances, such as resignation or termination of employment, the right to performance shares will be lost during the vesting period.

The right to performance shares may be maintained if the beneficiary's employer company is sold outside the Group.

b) Financial year 2014: Information about performance shares granted

At its Meeting on March 11, 2014, the Board of Directors decided to grant 331,745 performance shares, including 23,000 to the Chairman and Chief Executive and 57,000 to the ten largest grants made to the Group's employees other than the Chairman and Chief Executive Officer.

The detail of the Chairman and Chief Executive Officer's grant is available in Section 3.4.3 i).

The applicable performance conditions are presented in Section 3.5.1 b).

TOTAL OF THE TEN LARGEST PERFORMANCE SHARES GRANTS MADE TO THE GROUP'S EMPLOYEES OTHER THAN THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

	Total number of performance shares granted	Plan
Performance shares granted during the 2014 financial year to the ten Group's employees having received the largest grants (global information)		
Lafarge S.A.	57,000	AGA 2014-03/11/2014

c) Information on 2014 outstanding plans

PERFORMANCE SHARES GRANTED FROM MARCH 24, 2010 TO MARCH 11, 2014

	AGA 2010 03/24/2010	AGA 2011 03/15/2011	AGA 2011 05/12/2011	AGA 2012 03/15/2012	AGA 2013 03/13/2013	AGA 2014 03/11/2014
Allotment authorized by the Shareholders' Meeting of	05/06/2009	05/06/2009	05/12/2011	05/12/2011	05/12/2011	05/07/2013
Date of allotment by the Board of Directors	03/24/2010	03/15/2011	05/12/2011	03/15/2012	03/13/2013	03/11/2014
Performance shares initially granted (total)	169,605	328,755	20,000	483,967	636,920	331,745
Of which to Directors and Chairman and Chief Executive Officer						
Bruno Lafont	*-*	*-*	*20,000*	*20,000*	*33,500*	*23,000*
Initial beneficiaries (total)	2,032	2,257	1	1,950	1,733	289
French tax residents	*547*	*516*	*1*	*630*	*454*	*142*
Non-French tax residents	*1,485*	*1,741*	*0*	*1,320*	*1,279*	*147*
Date of definitive allotment						
French tax residents	*03/24/2012*	*03/15/2014*	*05/12/2014*	*03/17/2015*	*03/15/2016*	*03/14/2017*
Non-French tax residents	*03/24/2014*	*03/15/2015*	*N/A*	*03/15/2016*	*03/14/2017*	*03/12/2018*
Date performance shares can be transferred						
French tax residents	*03/24/2014*	*03/15/2016*	*05/12/2016*	*03/17/2017*	*03/16/2018*	*03/15/2019*
Non-French tax residents	*03/24/2014*	*03/15/2015*	*N/A*	*03/15/2016*	*03/14/2017*	*03/13/2018*
Performance shares cancelled(1)	**33,385**	**98,483**	**10,000**	**63,127**	**68,785**	**4,365**
Performance shares definitively allotted at December 31, 2014(1)	**135,720**	**97,416**	**10,000**	**427**	**0**	**0**
PERFORMANCE SHARES OUTSTANDING AT DECEMBER 31, 2014	**0**	**132,856**	**0**	**420,413**	**568,135**	**327,380**

(1) *According to the plan rules.*

d) Financial year 2015: Performance shares grant

On the date of this Registration Document, no performance share had been granted in the fiscal year 2015.

3.5.4 MULTI-YEAR VARIABLE COMPENSATION

In March 2013 and March 2014, the Board of Directors decided to grant long-term incentive programs in the form of the allocation of a "Value Enhancement Bonus" designed to recognize strong growth in Lafarge's share price over the long term.

Information on the terms of these "Value Enhancement Bonus" plans and of the grants made to the Chairman and Chief Executive Officer is available in Section 3.4.1 paragraph d.1.

3.6 SHARE OWNERSHIP

3.6.1 DIRECTORS, CHAIRMAN AND CHIEF EXECUTIVE OFFICER AND EXECUTIVE OFFICERS SHARE OWNERSHIP

Based on our knowledge, the Directors, Chairman and Chief Executive Officer and Executive Officers listed in Section 3.3 (Executive officers) held together 0.03% of our share capital and 0.04% of voting rights at December 31, 2014.

3.6.2 TRADING IN LAFARGE SHARES BY DIRECTORS, CHAIRMAN AND CHIEF EXECUTIVE OFFICER AND EXECUTIVE OFFICERS

No transactions in Lafarge shares were carried out by our Directors, Chairman and Chief Executive Officer and Executive Officers in 2014.

Group Executives (including Directors and members of the Executive Committee) are prohibited from trading in the Company's securities during non-authorized periods according to internal insider dealing rules.

These periods start thirty days prior to the date of publication of quarterly, half-yearly or annual results and end the day following publication (or ten trading days after such publication for sales of performance shares or the sale of shares obtained through the exercise of stock options, when the sale and the exercise are simultaneous).

3.7 IMPLEMENTATION OF THE PRINCIPLE "COMPLY OR EXPLAIN" OF THE AFEP-MEDEF CODE

The summary table below lists the exceptions to implementation of the recommendations of the Afep-Medef Code.

Afep – Medef recommendations which are not applied	Lafarge's Position – Explanation	Reference
Independence criteria of the Directors Article 9.4 of the Code: *"The criteria to be reviewed by the Committee and the Board in order for a Director to qualify as independent […] are the following: […] not to have been a Director of the corporation for more than 12 years".*	**The Board of Directors did not apply the recommended 12-year limitation on length of service.** The Board considers that in a long-term business, where management is stable, serving as Director for a long period of time can bring more experience and authority, increasing the Directors' independence. To date Mrs Hélène Ploix has been a Director of Lafarge S.A. for over 12 years. The Board however considers that, particularly in light of the effective contribution of Mrs Ploix to the work of the Board, of her extremely rigorous approach and great professionalism, Mrs Ploix classifies as an independent Director. It is specified that in addition to Mrs Ploix the Board of Directors is composed of 9 independent Directors out of 16 members (excluding Directors representing employees) and that the Board of Directors remains composed of a majority of independent Directors whatever the position on the 12-year length of service criteria. In addition, Mrs Ploix no longer chairs the Audit Committee since the Board of February 18, 2014.	Section 3.1.4 – paragraph "Independence Criteria"
Audit Committee Article 16.2.1 of the Code: *"The time available for reviewing the accounts should be sufficient (no less than two days before review by the Board)."*	**Audit Committee meetings are held on the day preceding Board meetings** For practical reasons, in particular as a majority of Audit Committee members reside abroad, Audit Committee meetings usually take place on the day preceding the Board meeting. Taking into account this constraint and to enable the Audit Committee to carry out the full extent of its duties, the Board's internal rules state that all pertinent documents and information must be provided to it by the Chairman and Chief Executive Officer on a timely basis. Committee papers are therefore sent to Audit Committee members sufficiently ahead of Board and Committee meetings and at least three days before such meetings, giving them sufficient time to review the accounts before meetings.	Section 3.2.2 – paragraph "Audit Committee"

Afep – Medef recommendations which are not applied	Lafarge's Position – Explanation	Reference
Employment contract of the Executive Director Article 22 of the Code: *"When an employee is appointed as executive Director, it is recommended to terminate his or her employment contract with the Company or with a company affiliated to the group, whether through contractual termination or resignation."*	**The employment contract of the CEO is maintained given his length of service** The Board considers that its decision to maintain Bruno Lafont's employment contract initially entered into on January 1, 1983 is warranted: - in view of his 32 years' service with the Group (and 24 years' performance of his employment contract until it was suspended in 2006 when he was appointed Chief Executive Officer); - as it encourages an internal promotion policy allowing for the appointment of Corporate Officers (mandataires sociaux) from among experienced senior executives (cadres dirigeants) with in-depth knowledge of the industry and markets on which Lafarge operates and for whom the loss of rights deriving from their employment contracts and length of service (e.g., contractual severance compensation under the collective bargaining agreement) would act as a drawback.	Section 3.4.3 – paragraph j "Employment contract and Severance arrangements for the Chairman and Chief Executive Officer"
Multi-annual variable compensation *Application Guide of the Afep-Medef Code of December 2014 in relation to article 23.2.3 of the Code: "Variable compensation must be expressed as a maximum percentage of the fixed compensation (and not of the "target" amount). For multi-annual deferred variable compensation, when a maximum percentage of the fixed compensation is not an appropriate criteria, companies must present another mechanism for setting the maximum amount of rights which can be granted and/or vested or paid at the end of the period in accordance with the rule «comply or explain»".*	**Value Enhancement Bonus - Setting a maximum amount** - The 2014 « Value Enhancement Bonus » includes, *inter alia*, a maximum amount per unit granted. This maximum amount per unit is set at 75 euros. Such a cap, included in the plan rules, has been devised to take into consideration the specificities of this program in an appropriate manner while complying with the provisions of the Application Guide of the Afep-Medef Code. - By way of reminder, the 2013 "Value Enhancement Bonus" was granted by the Board of Directors on March 13, 2013, therefore before the inclusion of the notion of multi-annual variable compensation in the Afep-Medef Code, in its June 2013 version. As the grant was prior to these recommendations, the plan does not include a maximum amount per unit granted. - Comprehensive information on these plans, including their valuation which enables to draw a comparison with fixed compensation, can be found in page 112.	Section 3.4.3 D.1
Reinvestment of performance shares in shares upon allotment Article 23.2.4 of the Code: *"Furthermore, it is necessary to ensure that: […] in accordance with terms determined by the Board and announced upon the award, the performance shares awarded to executive Directors are conditional upon the acquisition of a defined quantity of shares once the awarded shares are available."*	**There is an alternate obligation to hold 50% of the performance shares** The Chairman and Chief Executive Officer is required to hold 50% of shares resulting from the exercise of stock options for each allocation and 50% of performance shares acquired at the end of the holding period for each allocation, until the shares held by the Chairman and Chief Executive Officer (whatever their origin) represent an aggregate amount equivalent to three years of their last fixed pay (based on a calculation taking into account the share price (i) at the time of each exercise of stock options or (ii) at the end of the holding period for performance shares). This rule is applicable to all exercises of options carried out for options awarded that have not yet been exercised and to all performance shares granted yet to be acquired, until the end of the Chairman and Chief Executive Officer's mandate. The Board of Directors of Lafarge S.A. considers that the demanding holding rule described above achieves the same objective as the recommendation of the Afep-Medef Code, making it unnecessary to impose a further obligation on Corporate Officers regarding the purchase of a defined quantity of shares upon definitive allotment of performance shares. This is particularly the case for Mr Bruno Lafont given the number of shares already held by the Chairman and Chief Executive Officer further to past acquisitions and amounting to 37,506 shares as at December 31, 2014.	Section 3.4.3 I.4 – paragraph "Holding rule – hedging instruments"

4

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

4.1 INTRODUCTION

4.1.1 OVERVIEW

For the fourth time, our integrated reporting presents sustainable development indicators alongside financial results to reflect the close links between the two areas. Lafarge also maintains online public reporting as well as a dedicated Sustainability Report, reflecting comments from its Stakeholder Panel.

Lafarge reports on more than 100 indicators related to the environment, employees, society and socio-economic development as part of its commitment to transparent reporting and disclosure. These indicators cover the impacts and contributions of our business and their management mechanisms.

This reporting focuses on material issues(1), consistent with the Global Reporting Initiative (GRI) G4 guidelines (material issues are defined as areas important to the success of the business and to stakeholders, including employees, local communities, clients, architects, investors, etc.). These issues are assessed by senior Group executives annually, with input from the Group's Stakeholder Panel(2). For environment reporting in particular, Lafarge follows the materiality guidelines for disclosure of information relevant to its sector that form part of the charter commitments of the Cement Sustainability Initiative (CSI) - Lafarge's implementation of these guidelines was assessed by an independent certification body in 2014. Climate change and energy, health & safety and ethics & governance have been identified as the top three issues as a result of the materiality analysis(3).

At Group level, sustainable development is managed by a dedicated department headed by the Senior Vice President Sustainable Development who reports to the Executive Vice President Communications, Public Affairs and Sustainable Development, a member of Lafarge's Executive Committee(4).

In 2014 a methodology was provided to country management teams to assess their own specific materiality for developing their strategic plan. This methodology has been designed to ensure the relevance of their sustainable development actions and their integration into the wider business strategy.

In 2015 Lafarge will continue to place a premium on its reporting related to climate change and energy, which is reflected in its 2014 reporting(5).

To provide context: the cement industry accounts for around 5% of global greenhouse gas emissions; it is estimated that buildings make up about 40% of the world's energy consumption. Therefore, in addition to continuing efforts to minimize industrial impact, Lafarge will continue its work to make a net positive contribution to the construction sector through innovation that can improve the energy efficiency performance of buildings(6).

In managing its own footprint, Lafarge continued to reduce CO_2 emissions in 2014, with a 26% reduction per ton of cement compared to 1990. This result was achieved thanks to intensified efforts to improve kiln energy efficiency, increased use of alternative fuels, particularly those drawn from carbon-neutral biomass sources and further development of blended cements for a range of applications, using carbon-neutral additives. Particular progress was made in replacing fossil fuels with alternative fuels such as municipal waste and biomass. In 2014 we reached a substitution rate of 17.4%(7) of our overall fuel mix; 39% of which was drawn from carbon-neutral biomass sources(8).

In addition, Lafarge continues to promote responsible climate and energy policy within business and governments. Lafarge's Chairman and CEO Bruno Lafont chairs the Energy & Climate Change Working Group of the European Round Table of Industrialists and the Sustainable Development Commission of the Medef (*Mouvement des entreprises de France*); he also participates as an Executive Committee member of the World Business Council for Sustainable Development (WBCSD), where he also co-chairs the Energy Efficiency in Buildings project.

Alongside this focus on climate change and energy issues, Lafarge maintains the most far-reaching, ambitious sustainable development program in its sector entitled 'Sustainability Ambitions 2020'. This program is designed to leverage the localized nature of its business model - using local resources to produce a product that is used locally - as well as the long term nature of its operations: a cement plant is present for at least 30 years and usually many more(9). As a result, Lafarge's program comprises 34 objectives across social, economic and environmental domains to manage its environmental footprint and create value for its stakeholders. Underpinning all these commitments remains Lafarge's unequivocal commitment to health and safety of our

(1) *G4-18.*
(2) *G4-45.*
(3) *G4-2.*
(4) *G4-35.*
(5) *G4-19, G4-DMA: emissions.*
(6) *G4-21, G4-EC2, G4-DMA: products and services.*
(7) *20.7 % as per IFRS 11 - Joint Arrangements, of which 38% was drawn from biomass sources.*
(8) *G4-EN27.*
(9) *G4-DMA: overall.*

employees and contractors as our fundamental priority. Reporting on Lafarge's progress against a selection of objectives is covered in the following pages[(1)].

Lafarge fully recognizes the importance of achieving this progress within the appropriate ethical and governance frameworks. This includes ensuring compliance with the United Nations (UN) Universal Declaration on Human Rights, the Declaration on the Rights of Indigenous Peoples[(2)] and the Guiding Principles on Business and Human Rights (also known as the 'Ruggie principles') as well as maintaining LEAD membership in UN Global Compact. In 2014, in the context of the merger project with Holcim, Lafarge focused specifically on anti-trust issues, as Lafarge and Holcim continue to operate entirely separately and as competitors prior to the completion of the merger project, as well as ensuring appropriate preparation to obtain the necessary regulatory authorities' approvals.

4.1.2 SUSTAINABILITY AMBITIONS 2020 – PROGRESS UPDATE

Progress to date against a selection of the Group's Sustainability Ambitions 2020 is presented in the table below.

Note: the Group's nine ambitions that are sponsored by an Executive Committee member are indicated **in bold**.

Objective	Target	2014 performance	2013 performance	How we are progressing against this ambition
BUILDING THE CIRCULAR ECONOMY				
Enhance biodiversity	100% of quarries and cement plants to implement Biodiversity Management Plans in line with Lafarge standards by 2020, and by 2015 for regions with local biodiversity sensitivity.	44.3%	40.0%	BMP completed at almost all high[(3)] biodiversity quarries and 48.4% of quarries with local sensitivity[(4)].
	100% of our quarries to implement rehabilitation plans in line with Lafarge standards by 2015	87.6%	85.1%	Rehabilitation plans will need to be accelerated in 2015, mainly for cement operations.
Continue our program of reducing CO_2 emissions	**Reduce by 33% our net CO_2 emissions per ton of cement compared to 1990 levels by 2020.**	**-26.4%**	-25.9%	Overall reduction was lessened by shortage of natural gas in some regions which compelled the Group to switch to solid fuels
Continue our program of reducing environmental footprint	50% reduction in dust emissions per ton of clinker compared to 2010 levels, with no kilns emitting more than 50 mg/Nm³	-32.2%	-23.7%	Progress enabled by continued investment in abatement technology
	25% reduction in NOx emissions per ton of clinker compared to 2010 levels.	-24.5%	-16.9%	
	30% reduction in SO_2 emissions per ton of clinker compared to 2010 levels.	-31.8%	-4.0%	
	30% reduction in mercury emissions per ton of clinker compared to 2010 level[(5)].	22.6 mg/t	24.3 mg/t	Focus remains on highest emitting plants
Enhance local watershed sustainability	100% of cement and aggregate operations to complete water risk assessments by 2014.	100%	100%	Methodology developed for engaging stakeholders on local water issues
	100% of operations in water impacted areas to engage local stakeholders in developing a local watershed sustainability plan and reduce water impact by 2020.	33%	-	
Increase resource efficiency	**20% of our concrete to contain reused or recycled materials by 2020[(6)].**	**0.3%**	0.1%	Challenge of deploying at global scale remains
Develop use of non-fossil fuels in our cement plants	**Use 50% of non-fossil fuels in our cement plants by 2020 on an equity consolidated basis (30% of which should be biomass).**	**20.7%**	17.2%	Biomass makes up 38% of alternative fuels in 2014

(1) *G4-19.*

(2) *G4-DMA: indigenous rights.*

(3) *Quarries within 0.5 km of IUCN I - VI, Ramsar, IBA, Natura 2000, World Heritage Sites - G4-EN11.*

(4) *Quarries within 0.5 km of local biodiversity sensitive area, quarries with protected species or quarries with naturally occurring caves.*

(5) *The 2020 target was fixed based on the 2010 reference value of 31.7 mg per ton of clinker to which a 30% reduction target was applied to reach a targeted internal benchmark. The 31.7 mg/ton reference value was published in the 2012 Sustainability Report.*

(6) *G4-EN2.*

Objective	Target	2014 performance	2013 performance	How we are progressing against this ambition
BUILDING SUSTAINABLY				
Provide solutions for access to housing	**Enable 2 million people to have access to affordable and sustainable housing by 2020.**	**300,000**	120,000	Our program now covers 18 countries
Develop sustainable products and services	**Increase sales of new sustainable solutions, products and services to €3 billion per year.**	**1.8**	1.8	In 2015, we will increase focus on sustainable concrete.
Reduce the environmental footprint of buildings.	Contribute to 500 energy efficient construction projects using at least one of the Lafarge Efficient Building™ Systems by 2020[(1)].	54	-	Reporting process is being improved.
Promote the implementation of sustainable construction solutions for cities	Become an active member in sustainable building certification organizations in 35 countries by 2020.	13	-	More country units are promoting sustainable construction in line with their national context.
BUILDING COMMUNITIES				
Achieve excellence in health and safety	**Reach zero fatalities for our employees and contractors by 2020.**	**24**	26	Road transport remains a key risk to be managed. As most deliveries are outsourced, implementation of this new KPI is still in progress.
	60% reduction in the number of road incidents per million km against a 2013 baseline.	Employees: 0.68 Contractors: 0.15	Employees : 0.69 Contractors: 0.09	
	Virtually eliminate lost time incidents for our employees and contractors by 2020.	**0.49**	0.49	Plateau in performance requiring refocused actions
Enhance access to senior management positions for women	**Ensure 35% of senior management positions are held by women by 2020.**	**19.2%**	18.6%	The number of female senior managers has doubled in the last 10 years.
Support local communities projects through volunteer work	**Contribute 1 million volunteer hours annually to locally selected projects by 2020.**	**118,000**	57,000	Volunteering contributing to a balance between financial and non-financial support.
Be a driver of local socio-economic development	**Ensure 75% of country operations implement a plan with targets for local job creation by 2020.**	**44%**	37%	Deployment being led by units in emerging countries
Enhance stakeholders relations	100% of sites to implement stakeholder engagement plans.	29%	20%	Increased engagement at larger sites across Group.
Ensure Supply Chain is in accordance with UN Global Compact principles	Use a risk based approach (country/commodity/company profile) to identify a population of suppliers for more detailed monitoring of performance and, where necessary, work with suppliers on remediation plans. Target: 80% of spend to be assessed for sustainability by 2020.	25%	10%	The first third-party assessments have been done on our largest suppliers.

(1) *G4-EN7.*

4.2 MANAGING OUR FOOTPRINT

4.2.1 ALTERNATIVE FUELS AND RECYCLING

As a result of the resource-intensive nature of our industry, we are committed to reducing consumption of non-renewable resources through using processed industrial, municipal and agricultural waste as alternatives to conventional fuels in cement plants and re-using construction and demolition waste to develop our recycled Aggregates & Concrete offer.

Alternative fuels use reached its highest level in 2014, with an average substitution rate of 17.4% achieved, 39% of which was derived from biomass (data consolidated from entities under the Group's management control). Alternative fuel usage has doubled in the past four years and is continuing to accelerate, with 16 countries achieving a substitution rate of 30% or more during the year.

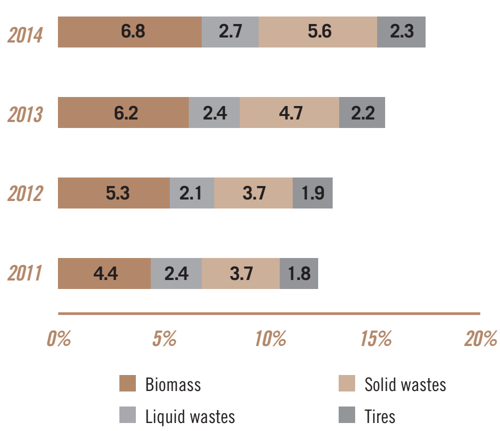
a) Adapting projects to the local context

As waste is sourced locally, projects must be adapted to the specific local context. In developed countries industrial waste is predominantly used while municipal waste is a growing source of alternative fuel in emerging countries. Waste management is an increasing concern in many countries where waste treatment facilities may be insufficient. Our cement plants provide a safe, environmentally-sound, waste disposal solution. The use of these sources of alternative fuels also helps secure the sites' long-term energy supply and increases competitiveness, while contributing to local economic development, through the creation of local jobs. Following the launch of two large-scale municipal waste projects in Iraq and Egypt in 2013, feasibility studies for similar new projects in Nigeria, Kenya, Zambia, Morocco, Tanzania, China, Russia and Brazil were launched in 2014.

Our biomass use in Sub-Saharan Africa continued to develop with an increasing focus on large-scale agroforestry projects. Developed in partnership with external experts and local communities, these projects help boost local agricultural production and generate biomass residues that are used in our cement kilns. In November 2014, a Memorandum Of Understanding was signed with the Ogun State Government in Nigeria to study the feasibility of a project covering more than 100,000 hectares to promote reforestation and small holders development. Lafarge Industrial Ecology and the Ogun State Forestry Commission will study the implementation of different potential models for this land, involving both large and small-scale agroforestry projects, as currently studied also in Tanzania, Uganda and Kenya.

Using biomass or municipal waste as alternatives to conventional fuels can be challenging. Projects can involve many actors, long-term investment and may involve process adaptations to incorporate the fuels. Despite this, securing of long-term energy supply, increasing plant competitiveness and strengthened local community relations ensure the net positive contribution of such projects.

SHARE OF ALTERNATIVE FUELS IN FUEL MIX



FUEL MIX IN THE CEMENT BUSINESS

(% of total)	2014	2013	2012	1990
Coal	37.1%	36.9%	39.2%	55.1%
Coke	22.9%	22.3%	20.8%	8.4%
Oil	7.7%	8.7%	7.9%	15.7%
Gas	14.8%	16.5%	19.0%	18.1%
Waste	10.7%	9.3%	7.7%	2.0%
Biomass	6.8%	6.2%	5.3%	0.7%
TOTAL	**100 %**	**100 %**	**100 %**	**100 %**

b) Boosting recycled products offer[1]

In 2013 Lafarge launched its program to increase use of recycled aggregates for both concrete and pure aggregates applications to help conserve natural resources. Nine million tons of recycled aggregates were sold during the year in line with the target of selling 15 million tons per year by 2020. Alongside increasing sales in developed countries such as France and Canada, Lafarge was the first company to launch recycled aggregates in emerging markets such as Brazil and Qatar, supported by the establishment of new recycling facilities. Sales of aggneo™ high-quality recycled aggregates continued to develop, and were used in a range of applications, such as road base, road shoulders and drainage systems. aggneo™ services were also launched in France to remove inert construction and demolition waste from customer sites.

Providing recycled concrete solutions currently faces regulatory constraints and low market acceptance. However, in France and Canada – two of our main markets – Lafarge sells concrete with recycled aggregate on a monthly basis, and total sales volumes for the year were approximately 108 thousand cubic meters. While this represents only 0.3% of total volumes, it is a three-fold increase compared to 2013 volumes[2].

4.2.2 BIODIVERSITY

Our operations can have both positive and negative impacts on biodiversity. This is why Lafarge has conducted pioneering work in this field, which includes developing the tools and guidance that enable sites to manage their biodiversity and quarry rehabilitation more effectively as well as collaboration with local stakeholders and international biodiversity specialists to enhance our expertise[3]. All quarries are screened annually using data from Integrated Biodiversity Assessment Tool and Geographic Information Systems to determine sites with high biodiversity (within 500m of IUCN I to VI, Ramsar, IBA, Natura 2000 and World Heritage Sites[4]). These quarries represent 22.1%[5] of total quarries and all of them have implemented Biodiversity Management Plans (BMP)[6], except one mothballed quarry that was reopened in 2014. Sites are also screened for local sensitivity (within 500m of a local biodiversity area, with protected habitats or species or with naturally occurring caves). These sites account for 19.1% of our quarries and 48.4% of them have implemented a BMP (target for 2015 is for 100% of sites to have a BMP). Additional targets include rehabilitation plans at all quarries by 2015 and implementing BMPs at these sites by 2020. At the end of the year 2014, 87.6% of our quarries had rehabilitation plans and more than 636 hectares[7] were restored in 2014; there is a need to accelerate the development of these plans in 2015, mainly for our cement plant quarries. 44.3% of quarries now have BMPs, so progress is continuing well. In developing BMPs we encourage our sites to form relationships with local NGOs, universities and stakeholders to better manage biodiversity[8]. We have many examples of these partnerships around the world which also include projects to educate local communities and our employees on the importance of preserving biodiversity.

a) Implementing biodiversity strategy

During International Biodiversity Day (May 22), a Group Biodiversity Strategy was launched. This strategy was developed jointly with WWF and in consultation with the Group's International Biodiversity Panel, and includes a commitment to not open new quarries in protected areas IUCN I & IUCN III (a first for the sector) and World Heritage Sites[9]. An aspiration to achieve a Net Positive Impact (NPI) on biodiversity, based on a comparison of habitat types, after a site has been closed and rehabilitated compared with the pre-site situation was also included, and an in-house methodology to evaluate this is close to being finalized[10]. Internal guidance on managing limestone biodiversity was developed in 2014 and will be tested over the next twelve months: it includes specific biodiversity aspects related to naturally occurring caves in limestone areas.

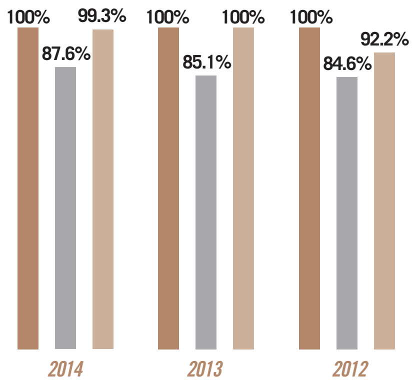
b) Capitalizing on biodiversity opportunities with stakeholders

BMPs target three main areas: creating and improving new landscapes and habitats during quarry rehabilitation, such as wetland areas, meadows, forests and micro-habitats such as ponds; building partnerships with scientists and researchers by consulting local experts about biodiversity and our possible impacts and raising ecological awareness and educating local communities by providing nature trails or involving local schools, universities, local residents and youth groups in site nature projects. We sometimes face difficulties in meeting expectations from diverse stakeholders groups, some of which

(1) *G4-DMA: material stewardship.*
(2) *G4-EN2.*
(3) *G4-DMA: biodiversity.*
(4) *G4-EN13.*
(5) *G4-EN11.*
(6) *MM2.*
(7) *G4-EN13, MM1.*
(8) *G4-25.*
(9) *G4-14.*
(10) *G4-EN12.*

have very specific interests. The BMP improves site management of biodiversity by reducing negative impacts and exploiting opportunities to maintain or enhance local biodiversity. It facilitates the approval of future site permits and the development of future rehabilitation plans which aim to avoid or at least minimize impact upon habitats and species. This approach has been selected by the Wildlife Habitat Council as one of their main formats for their new certification program. Lafarge also contributed extensively to the Cement Sustainability Initiative (CSI) guidelines on BMPs. Lafarge was invited to present on biodiversity at several events during the year including the CSI event to launch the BMP guidelines, the National Congress on Environment in Barcelona, Spain and the Wildlife Habitat Council Symposium in Baltimore, USA.

PROGRESS TOWARDS GROUP AMBITIONS FOR REHABILITATION AND BIODIVERSITY



PROGRESS WITH AMBITIONS FOR REHABILITATION AND BIODIVERSITY

680 active quarries	2014
Quarries with rehabilitation plans (target 100% by 2015) (%)	87.6%
Number of hectares restored in quarries	636
Quarries screened for international biodiversity sensitivity using IBAT data[(1)] (%)	100%
Quarries which operate within or adjacent to an internationally protected area[(2)] (%)	22.1%
Quarries which operate within or adjacent to an internationally protected area with a BMP (%)	99.3%
Quarries which operate within or adjacent to a locally protected area[(3)] (%)	19.1%
Quarries which operate within or adjacent to a locally protected area with a BMP (target 100% by 2015) (%)	48.4%
Total quarries with a BMP (target 100% by 2020) (%)	44.3%

(1) *IBAT: a world database of protected areas developed by IUCN, Birdlife, UNEP, Conservation International and WCMC.*
(2) *Quarries within 0.5 km of IUCN I - VI, Ramsar, IBA, Natura 2000, World Heritage Sites - G4-EN11.*
(3) *Quarries within 0.5 km of local biodiversity sensitive area, quarries with protected species or quarries with naturally occurring caves.*

4.2.3 WATER

With 28% of our cement production located in areas of water scarcity, we are committed to reducing our water footprint and contributing more broadly to better water management in the areas where the Group operates[(1)].

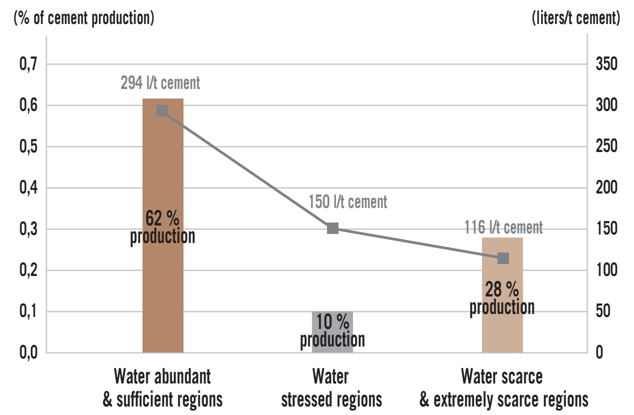
a) Water program progress

Our efforts to improve water efficiency have allowed us to reduce water consumption per ton of cement by 14% since 2010. 72% of our sites are equipped with water recycling systems[(2)]; we still have opportunities to enhance water recycling at our aggregates and ready mix sites[(3)]. Our approach focuses on reducing the water footprint of our operations in water-scarce areas and promoting more responsible water stewardship in the wider water basin[(4)]. To that end, we endeavor to facilitate access to water, help improve water quality and raise awareness on water issues. We also reuse our quarries to promote water-related habitats and activities.

Rainwater harvesting, water recycling and re-use of wastewater have been identified as key levers, and this year water risk assessments were completed at all cement and aggregate operations. A third of the sites identified as sensitive have defined an action plan[(5)] and water initiatives with local stakeholders. Lafarge has established local partnerships with WWF in the Philippines and Uganda to characterize water basins for better sharing of water with local communities and to raise awareness around water issues through training. In 2014 Lafarge participated in the CDP Water disclosure program.

(1) *G4-21.*
(2) *G4-EN10.*
(3) *G4-EN2.*
(4) *G4-DMA: water.*
(5) *Including water technical audit and basin characterization.*

FRESH WATER CONSUMPTION VS WATER SCARCITY



Water stewardship efforts are more particularly focused on our operations located in areas where water is scarce or very scarce, which also happens to be areas of growth. Lafarge's water strategy consists in maximizing waste water recycling and rain water harvesting for internal use but also for sharing with local communities for agriculture needs. Fresh water consumption per ton of cement in water-scarce or very scarce regions is on average two-times lower than in water-abundant or water-sufficient regions. We expect production in areas of scarcity to increase by 2020. Fresh water consumption excludes recycled waste water, brackish water and also rain water harvesting as per the CSI Protocol on water reporting issued in 2014. This is the first time we report fresh water consumption.

b) Ensuring sustainable water management – India

India is a good example of how the Group program is deployed. The two cement plants identified as sensitive in regards to water supply, located in Arasmeta and Sonadih in the state of Chhattisgarh, have both performed water technical audits and characterized their water basin. Water is included in the National Action Plan on Climate Change to conserve water, minimize wastage, control irrigation and floods, and ensure more equitable distribution. Where water is available, it might not always be safe for drinking.

At the Sonadih and Arasmeta cement plants, exhausted mine pits have been turned into ponds to collect and store rainwater. This water is used for mining-related operations, sprayed on haul roads to prevent dust emissions, and for watering vegetation in the quarry area. Moreover, the ponds help replenish the groundwater table and develop biodiversity as they are home to numerous fauna and flora species.

Rooftop rainwater harvesting is also used at the plants and extended to surrounding townships to increase collection and storage. To prevent water wastage, underground pipes were installed to avoid leakage, and separators allow treated water to be reused for vehicle washing.

In Arasmeta Lafarge installed a sewage treatment plant for domestic water treatment so water can be reused for horticultural activities.

c) Engaging with local communities

Among the challenges faced, inadequate drainage systems coupled with a lack of awareness of the general population, especially in rural areas, may lead to contamination of water sources. In the Indian example, programs have been developed to maintain and upgrade water hand pumps for local villages, serving about 1,200 people, in partnership with a team of hydro-geology experts from Action for Food Production (AFPRO). Training and tools were provided to 28 local young people to enable routine maintenance and repairs to be performed. Through the Lafarge volunteering program, employees also helped supervise pond deepening programs in surrounding villages to enhance storage capacity for rainwater, allow better management of storm and flood water, and help recharge the aquifer.

4.2.4 EMISSIONS

The management of emissions originating from the cement manufacturing process is a key aspect of environmental stewardship and responsibility towards the communities surrounding Lafarge operations[1]. As a result, commitments on emissions reduction have been part of Lafarge's sustainability program for many years.

The reduction in CO_2 emissions in 2014 compared to 2013 was 4 kg per ton of cement[2]; compared to emissions intensity in 1990 (reference year), 32 million tons of CO_2 emissions were avoided in 2014[3]. A combination of actions enabled this reduction, in an area identified as scope 1 emissions[4], including:

- better kiln energy efficiency to reduce our specific heat consumption, or the amount of energy required per ton of clinker produced[5] ;
- increasing use of biomass content in alternative fuels replacing conventional fuels (increased by 8% in the last 12 months)[6].
- increasing sales of cements with a lower carbon content due to the use of supplementary mineral additives or cementitious materials (clinker intensity of Lafarge cements continued to reduce, reaching clinker factor of 72.0%, compared with 72.1% in 2013, and 84.6% in 1990).

Work continues on new innovative products with smaller environmental footprints. Pre-industrialization work began on a new generation of lower-carbon Aether® cements. The footprint of these cements is 25-30% smaller than ordinary Portland cements, although they perform similarly in many applications, particularly low-shrinkage applications, due to their high dimensional stability. As a result, an Aether®-based screed was tested at research facilities and client sites during 2014. In partnership since 2013 with US start-up Solidia Technologies, work is underway to industrialize a new solution that could reduce the carbon footprint of precast concrete by up to 70%. Following a trial to confirm the industrial feasibility of Solidia Cement™ at our Whitehall plant in the US, and a series of tests at precast clients since autumn 2014, preparations are underway for commercialization of the product[7]. Our Scope 1 emissions were however adversely impacted by the unavailability of natural gas in some regions in 2014 which compelled some Group plants to switch to solid fuels.

(1) *G4-21.*
(2) *G4-EN18.*
(3) *G4-EN19.*
(4) *G4-EN27.*
(5) *G4-DMA : energy.*
(6) *G4-EN27.*
(7) *G4-EN27.*

Scope 2 emissions, which mainly encapsulate indirect emissions related to electricity consumption of the operations, were stable compared to 2013 levels, at 8.7 million tons[(1)].It is difficult to reduce Scope 2 emissions without major capital investment, and investments have been prioritized towards energy efficiency and productivity improvement.

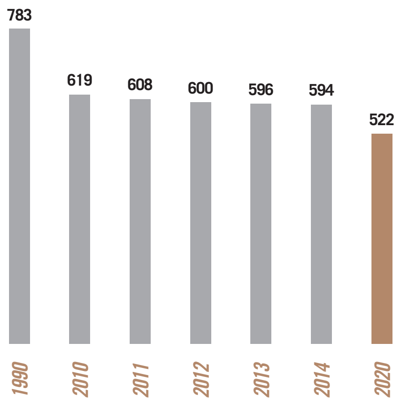
Scope 3 - emissions induced by our activities, such as transportation of our products, amounted to 2.6 million tons, unchanged from 2013 levels[(2)].

Lafarge has maintained transparency on its CO_2 emissions since announcing targets – the first in the sector to do so – in 2001. Lafarge's Carbon Disclosure Project (CDP) score is 84/100 for disclosure and B for performance.

Challenging targets were set in the Sustainability Ambitions 2020 program to reduce other main emissions from the cement-making process, namely oxides of nitrogen (NOx), oxides of sulphur (SO_2), dust and mercury. Compared with a 2010 baseline, reductions were achieved in all four areas. Progress continues with the installation of new abatement systems for major pollutants.

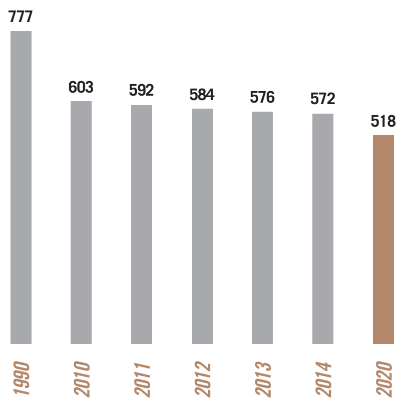
These reductions were facilitated by focusing investment on plants with the highest emissions. For example, Selective Catalytic Reduction (SCR)[(3)] technology installed at Joppa plant reduced NOx by up to 80%, while a gas scrubbing system at Alpena plant will achieve up to 90% reductions in SO_2, helping North America to contribute significantly to the targets. Investments were also made in technology to reduce dust emissions at plants in Zimbabwe, Algeria, Cameroon and Brazil.

GROSS CO_2 EMISSIONS (kg per ton of cementitious)[(4)]



In 2014 our gross emissions per ton of cementitious were 23.5% lower than 1990 levels. Our Scope 1 emissions were affected in 2014 by a shortage of natural gas in some regions which compelled some Group plants to switch to solid fuels.

NET CO_2 EMITTED (kg per ton of cementitious)

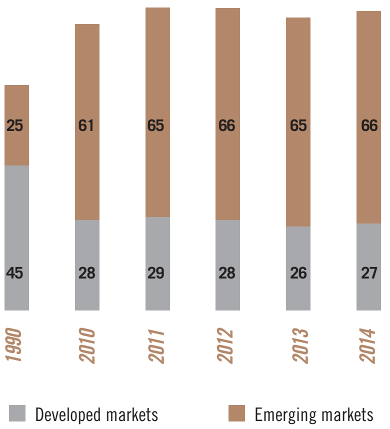


In 2014 our net CO_2 emissions per ton of cementitious were 26.4% lower than 1990 levels. The increase of biomass content in our alternative fuels mix contributed to the further decrease in our net emissions in 2014.

4

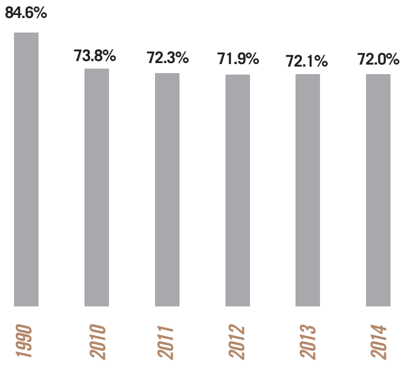
(1) G4-EN16.
(2) G4-EN17, G4-EN30.
(3) G4-EN27.
(4) G4-EN15.

GROSS CO_2 EMISSIONS (million tons)



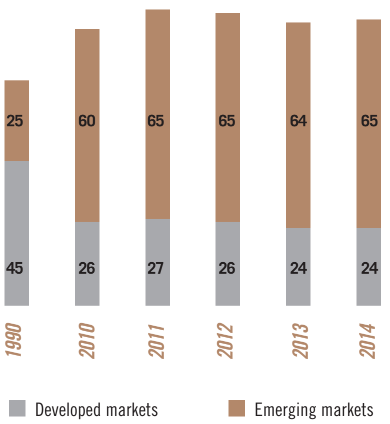
The percentage of production and emissions in emerging markets continues to grow.

CLINKER FACTOR (percentage)



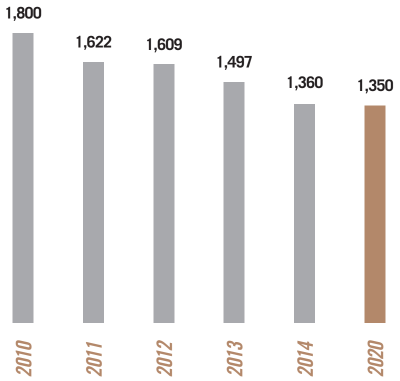
The clinker factor, clinker being the component of cement whose production is associated with CO_2 emissions, has decreased by 15% since 1990.

NET CO_2 EMISSIONS (million tons)



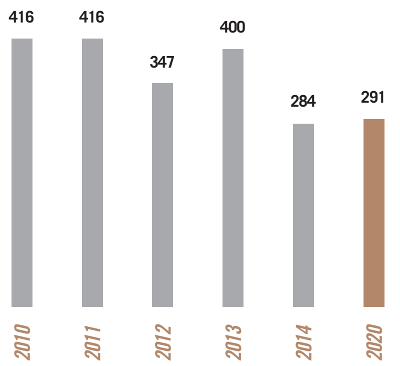
Developed market emissions have decreased year on year.

NO_X EMISSIONS (g/t clinker)



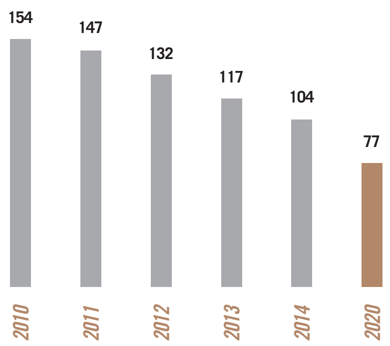
There has been a 24% reduction in NOx emissions since 2010, almost reaching our Sustainability Ambitions 2020 target of 25% reduction.

SO_2 EMISSIONS (g/t clinker)



There has been a 32% reduction in SO_2 emissions since 2010, exceeding our Sustainability Ambitions 2020 target of 30% reduction.

DUST EMISSIONS (g/t clinker)



There has been a 32% reduction in dust emissions since 2010, in line with our Sustainability Ambitions 2020 target of 50% reduction.

4.3 CREATING VALUE FOR OUR STAKEHOLDERS

4.3.1 HEALTH AND SAFETY

Health & Safety (H&S) is established as Lafarge's number one priority[1]. By setting the topic as a priority and dedicating significant resources, Lafarge has reduced the number of fatal incidents and injuries related to the business. This progress has plateaued in the last two years, which has led to a re-focusing of actions to facilitate progress towards the Group's goal of zero fatalities. In addition, the Group has also been developing and implementing a plan to address its key risks on health, which have been identified following a comprehensive assessment program.

	2014	2013	2012
Number of lost time injuries among Lafarge employees	72	72	105
Number of lost time injuries among Lafarge onsite contractors	39	51	51
Lafarge employee fatalities – onsite	3	2	4
Lafarge employee fatalities – transport	0	1	1
Lafarge employee fatalities – customer job sites	0	0	0
Contractor employee fatalities - onsite	4	3	5
Contractor employee fatalities - transport	6	8	6
Contractor employee fatalities – customer job sites	3	0	0
Contractor employee fatalities – project sites	0	0	1
Third-party fatalities (customer job sites, transport)	8	12	8
Lost-time injury frequency rate (including fatalities) employees and contractors (number of incidents per million hours worked)	0.49	0.49	0.62

a) Progressing towards world-class standards

The 2014 data demonstrates that performance progress has plateaued in 2013 and 2014, relative to improvements over time. To maintain momentum towards the target of zero fatalities, 2014 concentrated on addressing the main risks related to fatalities and Lost-Time Incidents (LTIs) recorded in 2013. In addressing areas of concern, the focus remained on road safety, building on the workshops conducted in 2013 to ensure the Group's road safety advisory is fully deployed. In 2015, the focus will remain on ensuring the advisory is used by countries, making sure that all elements are in place.

The Group's Health & Safety Management System (HSMS) remains the basis for driving continuous performance improvement. The system contains 10 key elements that cover the appropriate management of health and safety at all sites, including aspects related to behavior; HSMS was also upgraded during 2014 to incorporate core process risks and health issues.

The HSMS is used as a basis for the Group's comprehensive audit program, whose objective is to ensure more homogenous health and safety standards across all sites and drive continuous improvement in health and safety performance. In 2014 60 audit missions were conducted (a total of 90 missions have been completed in the last two years). More than 400 people participated in these onsite audits, with senior operational and functional managers alongside H&S professionals to grow their own expertise on the topic.

Each audit results in an action plan for the country and its sites to drive continuous improvement and risk mitigation. Although these plans are owned by the country/site, the central H&S team continue liaising with the country to ensure all actions are being completed on time and in full. In addition to ensuring the follow-up from previous missions, it is intended that a further 80 missions will take place in 2015.

b) Reinforcing leadership

Lafarge continues to place an emphasis on the importance of leadership and individual behavior in developing safe operations. This principle is applied to a number of different levels. The Group's Health & Safety Excellence Club, which identifies the safest operations in the Group, has 36 members, 23 of which are operational units, with the remaining members representing country product lines or countries in their entirety. As well as involving senior Group and country managers in the audit program as noted above, there is a specific focus on developing the leadership skills of 'shopfloor' managers

(1) *G4-DMA: occupational health and safety.*

at all operations (typically referred to as 'supervisors'). This level of management oversees the majority of onsite work on an hourly basis and their ability to lead their teams in working safely has been identified as a key opportunity for performance improvement.

In 2014, training programs for supervisors were rolled out in a number of countries. These programs were either focused purely on safety or included safety as part of the curriculum. These programs use guidelines prepared by the corporate team, with a particular focus on implementing identified best practices.

The Group's annual H&S month (now in its seventh year) also focused on three leading, actionable behaviors, encouraging individuals to be *Committed, Open and Uncompromising*. H&S Month activities took place in all Lafarge units, many of which involved the engagement of external stakeholders on the topic, including family safety days and H&S training for other actors in the sector. The success of the month was followed up by a dedicated campaign to reinforce these behaviors during the final quarter of the year.

c) Establishing extensive health programs

Health is as important as Safety, especially occupational health risk prevention. Lafarge's ambition is to reduce employees and contractors exposure to health hazards in the workplace and ensure fitness to perform daily duties. To achieve this, a health strategy has been developed based on four pillars: occupational health risk prevention, medical intervention, health promotion and wellness and stakeholder health.

The priority pillar focuses on occupational health risk prevention and looks at how health risks in the workplace can affect employee health and their ability to perform duties[1]. To progress on this priority, multiple actions were launched during 2014: 84% of countries developed a system for assessing health (based on Group parameters) in which 38% of employees underwent a risk-based health assessment. In addition, 41 countries completed qualitative risk assessments (noise and dust mapping) at their sites and 26 countries completed quantitative risk assessments. Once these risks were identified, the number of employees exposed to these risks is assessed as well as ensuring control measures are in place to minimize exposure for these employees. Measures to reduce exposure are based on a hierarchy of controls including eliminating the need for employees to work in these areas, engineering controls to reduce the dust or noise, or lastly, mandatory use of PPE to protect exposed workers. This progress will be built on in 2015, with the ambition that all employees and contractors will have undertaken a risk-based health assessment by end of 2016.

In a similar vein to risk prevention, 70% of countries have begun to implement a standardized ergonomics assessment process. Nearly all sites have now implemented a Medical Emergency Response (MER) plan, with 16% of total workforce being trained in First Aid. A comprehensive pandemic response guide was also prepared in response to the Ebola virus, although its principles can be applied to other pandemic risks.

4.3.2 COMMUNITY DEVELOPMENT AND OUTREACH

Lafarge has been committed to contributing towards the local economic development of the communities in which it operates for almost 40 years. This commitment is supported by a methodology focusing on awareness, dialogue and collaboration designed to create shared value for local stakeholders and for the operations[2]. Ambitious targets have been set to support the deployment of programs designed to maximize value creation, including promoting employee volunteering, and job creation and education programs.

	2014 total	Cement	A&C	2013 total	2012 total
Sites mapping their stakeholders (%)	69%	90%	49%	54%	43%
Sites developing action plans (%)	29%	51%	9%	20%	40%
Sites regularly meeting with local stakeholders (%)	60%	84%	39%	63%	50%
Sites maintaining community partnerships and programs (%)	82%	96%	70%	70%	59%

a) Global, systematic approach

For Lafarge, shared value creation with communities starts with the systematic deployment of basic tools and processes[3]. A bespoke four-step methodology has evolved over the last 10 years; it provides every operation with the means to deploy these tools at a level appropriate to the footprint of the site. As a result, the deployment of these tools is typically more comprehensive in large sites (cement plants, large aggregate sites) compared with sites with smaller footprints (concrete plants)[4]. This trend is borne out by the 2014 results and continued focus is required to ensure the consistent application of these tools across all operations in 2015.

The results also demonstrate that the use of methodology and tools facilitate increased engagement with local stakeholders. In 2014, the number of sites mapping their stakeholders and their needs increased by 28% compared to previous year to reach 69%, including 90% for Cement plants (a 30% increase on 2013). Still on Cement, 51% of plants developed a local stakeholder engagement action plan (48% in 2013). Globally 60% of sites met regularly with stakeholders[5], 32% of which were formal meetings (28% in 2013), with the remainder in more informal settings during the 12 months. The number of sites facing difficult relationships with local stakeholders also decreased in 2014 (37%, down from 45% in 2011). The majority of conflicts (53%) were classified as minor and 11 sites reported conflicts with more

(1) *G4-LA7.*
(2) *G4-24, G4-DMA: local communities.*
(3) *G4-DMA: indirect economic impacts.*
(4) *G4-25.*
(5) *G4-26.*

significant consequences for the sites' business or image. Although these measures are improving, an emphasis remains on ensuring that stakeholders are engaged on operational business developments as early as possible such as for mining extension, environmental standards or alternative fuels projects, to promote enhanced dialogue and collaboration (whereas involvement at later stages may result in more information sharing).

The deployment of this methodology is supported by a toolkit of 130 examples taken from 25 countries as well as a central team to follow-up on local programs and action plans. During 2014 more than 500 operational managers from over 20 countries, including members of country Executive Committees, participated in workshops on stakeholder engagement, a four-fold increase in participants from 2013. These workshops took place in both internal professional development courses and in country, as part of missions dedicated to the topic of sustainable development and stakeholder engagement.

b) Creating shared value

Community partnerships and programs in the following areas:	Number of programs
Health	515
Education & skills training	606
Affordable housing	71
Water	122
Job creation	270
Biodiversity	172
Other	707
TOTAL	**2,463**

Breakdown of financial and non-financial contributions made in 2014	
Charitable donations	40%
Community investments	49%
Commercials initiatives	11%

Another key way that Lafarge operations interact with their communities is through their community programs and partnerships. Lafarge's focus is on long-term, collaborative programs that balance financial and non-financial contributions and are designed to address the key needs of the community and simultaneously help create value for the site. In 2014 contributions at site level (not including any country or corporate contributions) totaled € 26.6 million split between financial contributions worth € 16 million and non-financial contributions worth € 10.6 million. Sites are encouraged to engage in programs that address key areas for the Group (table above). In 2014, 71% of all programs conducted were in these areas; the number of programs, 2,463 in total, was 30% higher than in 2013 and involved a total of 690 sites.

2014 saw an increasingly balanced approach, with the Group's volunteering program increasing the level of non-financial contributions considerably. In 2014 more than 118,000 volunteering hours were completed across 30 countries in the Group and involving 10,000 volunteers. Locally, this represents 53% of sites (i.e. 430 sites) implementing volunteering programs. These efforts, which have doubled compared to 2013, contributed towards more than 700 community programs around the world.

The Group also identifies job creation[(1)] and education as key value creating levers and provides tools and methodologies to countries to develop sustainable programs. 24 countries ran such programs in 2014, including development of women's skills because, equipped with the proper resources, they have the power to lift whole families and entire communities. For example, in India, 550 women were trained in 2014 in collaboration with several recognized NGOs in nursing, marketing sales, computer knowledge, sewing and manufacturing materials. In Brazil, within a project framework to help the people of Rocina favela renovate their homes and in partnership with NGOs, Brazilian public agencies and universities, some sessions were reserved for women of all ages (from 18 to 70 years old). After training 24 women concluded qualification course in professional workmanship bricklayer in the favela. Also our Surma plant in Bangladesh trained 37 women in 2014 (763 since 2001) in Small Enterprise Development in cattle rearing and embroidery with a national NGO. In Nigeria, the Shagamu and Ashaka sites initiated a skill acquisition and development scheme including the graduation of 27 women in 2014 in hair dressing and tailoring fashion design.

Other value creating approaches such as affordable housing and support to farmers whose agricultural waste is used for biomass fuel are covered in other sections of this document.

Shared value creation can be evaluated by measuring the socio-economic footprint of our operations[(2)], in addition to the deployment of engagement tools. 23 countries have measured the footprint of their sites, through a combination of Lafarge's in-house measurement tool, developed in collaboration with CARE France and, in some cases, carried out with the use of external consultants.

(1) *G4-EC8.*
(2) *G4-DMA: indirect economic impacts.*

4.3.3 SUSTAINABLE SUPPLY CHAIN[1]

As part of its effort to ensure that products and services are sourced in a responsible and sustainable manner, Lafarge expects its suppliers to have policies and procedures in place that foster a sustainable supply chain. In practical terms this means ensuring that the United Nations Principles on Business & Human Rights are respected[2], and Lafarge performs due diligence with its suppliers, which includes evaluating their business practices, as well as ensuring reliability in the supply chain to minimize the risk of disruption[3].

The task is huge: Lafarge has about 150,000 suppliers worldwide. As a result, a pragmatic, segmented approach has been adopted to assess suppliers, including ways to support them in their improvement programs to incorporate necessary mechanisms.

a) Ensuring a sustainable approach

Since 2012 Lafarge's approach to assessing suppliers has focused on its largest vendors, making up 25% of its total spend. This assessment continues to be completed in conjunction with an external specialist, EcoVadis, who carries out a risk mapping of suppliers using 21 CSR criteria providing in-depth data on the social, environmental, ethical and procurement practices of each supplier.

250 critical suppliers were assessed in 2014, bringing the total number of assessments completed and shared with the appropriate Lafarge purchasing teams to 550 since 2012. Although it is clear that there is substantial progress required to assess all suppliers, Lafarge believes this approach creates more value as the Group continues to work with each suppliers to ensure the appropriate corrective and continuous improvement plan is followed. Our philosophy is that a more in depth review in the long-term is preferable to supplier self-assessments which we acknowledge can be completed much easier. So far, 4% of assessed suppliers (about 20 suppliers) have failed to meet our minimum requirements – which in some cases means Lafarge will discontinue working with them if they do not show progress towards improvement within 12 months. For the majority, Lafarge accompanies suppliers in their corrective actions which will enable the supplier's business to become more sustainable and empower the continuing business relationship; the actions that will be taken will also benefit other current and potential future clients.

To support this process, a webinar available on the EcoVadis platform and kick-off calls with all the participating countries were organized in 2014 as well as incorporating the assessment process into the company's e-purchasing tool to enable commercial relationships to be measured to the appropriate standards. In 2015 work will continue to help country teams develop their knowledge in this area.

This approach will be maintained in 2015: in addition to the continuing work with the suppliers to complete the necessary corrective actions, a further 450 suppliers are targeted for assessment during the next 12 months. Our 2015 target is to have suppliers representing 40% of our spend assessed, halfway to our 2020 goal of having suppliers representing 80% of our spend assessed. The possibility to do a lighter first screening for smaller suppliers to determine those requiring a full assessment will also be reviewed during 2015.

b) Ensuring common values

Lafarge's standard terms require that suppliers adhere to the United Nations Global Compact (UNGC) principles and this requirement was included in 99% of purchase orders issued across the entire Group in 2014[4]. The remaining 1% refers to those who have not answered the survey.

Lafarge also uses the data collected by supplier assessments to inform its policy and approach in this area. The Group's supplier Code of Business Conduct[5] was revised in 2014 to reflect Lafarge's standards for suppliers in the field of sustainability. The new code of business conduct is now referenced in the Group's standard terms & conditions which form part of all purchase orders.

4.3.4 ACCESS TO HOUSING

About 1 billion people live in slums. As part of our ambition to contribute to building better cities, Lafarge offers a set of innovative locally adaptable solutions, including microfinance, earth-cement building solutions, slum renovation and collective social housing[6].

At the end of 2014, the Affordable Housing program reached about 300,000 beneficiaries in 18 countries – more than a two-fold increase since end 2013. The program also generated a profit for the second year in a row. As part of its membership to the Clinton Global Initiative, Lafarge has committed to achieving 10,000 microfinance projects by the end of 2015 across 10 countries.

4

a) Advancing our approach across different fields

Earth and cement solutions for bricks that do not require firing are now available in Malawi and Rwanda and will be launched in four more countries (Cameroon, Tanzania, Kenya and Zambia) in 2015. A complete offer is provided, including training, access to equipment and technical assistance in preparing the right mix of constituents and brick compression. Following a successful pilot in Mumbai, bagged concrete solutions for slum rehabilitation have been expanded to a further two locations in India. 150,000 bags of concrete have been delivered by rickshaws directly onto construction sites inside the slums. The Mumbai plant is now operating at full capacity and at break-even. Other technical solutions tailored to local building practices and construction needs are currently being tested.

Lafarge's social housing offer consists in accelerating construction projects while ensuring good quality at an affordable cost in developed markets. In France the foundation stone for "les Hauts Plateaux", an innovative social housing project mixing housing and garden space, was laid in Bègles in October 2014. Lafarge has worked closely with the architect and building contractor since the beginning of the project to ensure the efficiency of cement and concrete use for this project as well as producing housing with a high aesthetic value.

(1) *G4-DMA: supplier assessment for labor practices, G4-DMA: supplier human rights assessment, G4-DMA: supplier assessment for impacts on society, G4-DMA: supplier environmental assessment.*
(2) *G4-DMA: investments (human rights).*
(3) *G4-21.*
(4) *G4-HR1.*
(5) *G4-56.*
(6) *G4-EC8.*

b) Affordable housing program: a business and social initiative for Lafarge

Affordable housing programs cannot be delivered alone. Typically Lafarge links local microfinance partners with retail stores that distribute Lafarge products, enabling the micro-loans to be made to clients in materials rather than currency. This approach has proven to create more value for all actors involved, for example in allowing local retail stores to increase sales, ensuring the micro-loan goes directly to the project, as well as making sure Lafarge products are used.

The development of partnerships with local bodies, such as administrations, developers, NGOs and banks, is essential. Such partnerships take considerable time to develop, although when established, can generate significant value, as demonstrated by Lafarge's partnership with the French Development Agency (AFD) which helped deliver 900 affordable housing projects in Nigeria in 2014. A global partnership was also established with International Finance Corporation (IFC) in 2014. These development agencies help with the refinancing and capability building of our local microfinance partners.

The partnership with the local microfinance institutions is a requirement. The provision of micro-loans for housing projects is different from other micro-loans in that it is secured against an asset rather than a revenue stream, so an academy to train bankers on these specificities took place in Kenya during July, in partnership with the IFC and UN Habitat. By sharing the hosting of this event, the specificities of loans, regulatory challenges and technical aspects and best practices could all be presented together to the 40 participants drawn from 8 countries, which subsequently helped the launch of new projects in Kenya, Zambia and Cameroon.

In developing a sound and sustainable business it is necessary to create societal and financial value, which includes the ability to run a profitable venture. Since the beginning, Lafarge's program has generated €7 million Ebitda (a two-fold increase from 2013), thanks - in part - to the management provided by the country sales and marketing teams in the countries where programs take place.

c) Technical assistance and training for durable housing

The knowledge and technical skills required to build a house properly are critical for successful affordable housing projects, alongside access to finance. Technical assistance is provided to ensure building projects are completed to the requisite standard, including the possibility for future expansion. Such support is contributed free-of-charge to low-income participants, using Lafarge products, by technical assistants, typically with engineering or architecture backgrounds, who can help with building design and identify the required amount of materials. A number of assistants have advanced their careers through the skills and expertise they obtained through these roles.

4.3.5 EMPLOYMENT, EMPLOYEE DIVERSITY AND SKILLS

a) Overview of our workforce

HEADCOUNT

At the end of 2014, the Group had 63,038 employees, representing a decrease of 650 employees compared to December 2013.

Overall, acquisitions (+827 employees) mainly of TBPL (Tarmac Building Products Limited) in the UK (+791 employees), have been compensated by divestments (-1 168 employees) mainly in Russia Korkino (-572 employees) and Ecuador (-281 employees)[(1)].

Like for like, headcount evolution shows a decrease of 477 jobs. The reorganizations in operations, mostly in China and Iraq, have not been compensated by the developments performed mostly in Qatar and Brazil.

Tables below present the changes in employee headcount in 2014, 2013 and 2012 by geographical area and by activity. Figures include 100% of the headcounts of our fully and proportionately consolidated subsidiaries.

EMPLOYEES BY GEOGRAPHICAL AREA

	2014			2013			2012	
	Headcount	%	14 vs 13	Headcount	%	13 vs 12	Headcount	%
Western Europe	14,880	23.6%	3.1%	14,431	22.7%	26.1%	11,448	17.8%
North America	7,863	12.5%	1.4%	7,752	12.2%	(12.1%)	8,821	13.7%
Central and Eastern Europe	5,575	8.8%	(8.4%)	6,086	9.6%	(13.6%)	7,041	10.9%
Middle East and Africa	18,881	29.9%	(0.9%)	19,055	29.8%	(3.0%)	19,644	30.5%
Latin America	2,177	3.5%	(4.0%)	2,269	3.6%	(13.1%)	2,609	4.1%
Asia	13,662	21.7%	(3.1%)	14,094	22.1%	(4.6%)	14,774	23.0%
TOTAL	**63,038**	**100%**	**(1.0%)**	**63,687**	**100%**	**(1.0)**	**64,337**	**100%**

(1) *G4-10.*

EMPLOYEES BY ACTIVITY

	2014			2013			2012	
	Headcount	%	14 vs 13	Headcount	%	13 vs 12	Headcount	%
Cement	36,725	58.3%	(3.2%)	37,948	59.6%	(8.0%)	41,249	64.1%
Aggregates & Concrete	25,630	40.6%	2.5%	25,009	39.3%	14.8%	21,780	33.9%
Others	683	1.1%	(6.4%)	730	1.1%	(44.2%)	1,308	2.0%
TOTAL	**63,038**	**100%**	**(1.0%)**	**63,687**	**100%**	**(1.0%)**	**64,337**	**100%**

HUMAN RESOURCES POLICIES

In 2014 the Corporate Organization & Human Resources (O&HR) Policies underwent a thorough review, and were updated and aligned to suit the current business context and strategy. Between June and October, working groups were set up for each policy. 21 policies were developed, and corresponding Good Practices (both from the Countries and external sources) shared and documented. The refreshed suite of policies covers all the key elements of the Employee Life Cycle (such as Staffing, Induction, Succession Planning, Performance and Career Management, Assessment, Learning & Development, High Potential Identification & Development, Recognition, Compensation & Benefits, Modern Work Trends and Employee Wellbeing). The policies also cover Employee Relations and the O&HR Foundations, of which Diversity & Inclusion and Health & Safety are key.

EMPLOYMENT[(1)]

	2014	2013	2012
Percentage of full-time employees	98%	99%	99%
Percentage of part-time employees	2%	1%	1%
Percentage of permanent employees	95%	97%	96%
Percentage of fixed-term contract employees	5%	3%	4%

(1) *G4-10.*

JOB EVOLUTION

	2014	2013	2012
Number of hirings[(1)]	6,155	6,991	5,544
Number of resignations	3,481	3,354	2,996
Number of retirements	970	993	910
Number of redundancies	1,079	2,025	3,298
Number of deaths	101	114	98

(1) *G4-LA1.*

MEASURES TO MITIGATE JOB CHANGES

	2014	2013	2012
Percentage of country units having implemented significant headcount reduction impacting more than 5% of workforce	14%	21%	26%
Of which% of country units having set up an employment channel for employees	57%	65%	71%
Of which% of country units having set up a local economic development channel for local communities	29%	29%	21%
Number of Lafarge employees re-employed outside the Group (in another company or in their own business)	312	1,562	851

LABOR ORGANIZATION

In 2014 Lafarge worked with 35,420 out-sourced contractors (same as 2013), accounting for some 35% of the total workforce (as in 2013).

OUTSOURCING BY FIELD OF ACTIVITY

(%)	2014	2013	2012
Production	39%	36%	36%
Maintenance and cleaning	29%	26%	27%
Transport	19%	21%	18%
Security and guarding	8%	9%	9%
Others (IT, accounting, etc.)	5%	8%	10%

WORKING HOURS

	2014	2013	2012
% of employees working on 8h shifts	13%	14.1%	15.9%
% of employees working on 8h shifts	8%	8.7%	8.2%

COMPENSATION & BENEFITS

Our compensation and benefits system is predominantly handled directly in each country where the Group operates. However, some core principles apply everywhere[(1)]. These include a pay package consisting of a fixed portion and a variable portion dependent on the completion of objectives (which include health and safety). Furthermore, employees are associated with the Group's performance through the various profit-sharing mechanisms which exist in countries where we operate.

For instance, in France, profit-sharing agreements cover 98% of the employees. Employees can choose to make payments into the various existing company saving and retirement plans[(2)], with an employer matching contribution as the case may be. These savings benefit from a preferential tax regime in consideration for a five year holding period, save for early unblocking events as defined in the plans.

In 2014, under the French Profit-sharing Bonus Law, a specific additional bonus of 200 euros was paid in almost all companies in France to employees present in 2013.

(For further information, see also Sections 3.5 on Long Term Incentives and 6.1.4 on Employee Share Ownership).

b) Human resources priorities for leading business acceleration

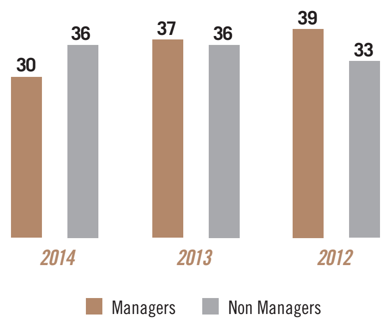
STRATEGIC SKILLS DEVELOPMENT

Developing our people is a vital investment and an important lever to ensure continued growth for Lafarge[(3)]. As part of our Sustainability Ambitions 2020, we have set objectives to have 75% of our key positions covered by certification programs and for 75% of our employees to complete the program for their position. Several training programs are designed and managed at Group level by Lafarge University. In 2014 training to the new Plant Operating Model 'POM 2.0' launched in 2013 continued, which aims at making plants more productive and competitive. At the end of 2014, 100% of plant managers have been trained to POM 2.0. The roll-out of the Sales Force Effectiveness program, specifically designed for marketing and sales teams in Lafarge countries, also continued in 2014 with training delivered to 2,403 sales representatives and managers.

Skills development is increasingly enabled through alternative methods to traditional classroom training such as on-the-job learning activities as well as e-learning[(4)].

AVERAGE NUMBER OF HOURS OF TRAINING

(hours per person)



(1) G4-LA2.
(2) G4-EC3.
(3) G4-DMA: training and education.
(4) G4-LA10.

(hours)	2014	2013	2012
For managers	30	37	39
For non managers	36	36	33

In 2014, in collaboration with HEC Paris, we launched the Lafarge Marketing Academy, a learning program intended to enhance marketing skills within Lafarge: 33 Country Marketing Directors attended this year. The objective of the program is to lead Lafarge's transformation from a «marketing push» to a «marketing pull» organization, and establish a robust community of recognized marketing professionals. The Marketing Academy has been designed as a learning journey over several months, with three phases: a 3-month online phase of preparation, followed by a 5-day residential seminar on HEC Paris campus in October. We are now in the final phase dedicated for projects: 7 action-learning projects with direct impacts on business were defined in line with countries immediate challenges and opportunities. A final presentation of all projects is scheduled in January 2015 and will be followed by planning and execution in selected countries.

STAFF PERFORMANCE ASSESSMENT

	2014	2013	2012
Percentage of managerial staff having an annual performance review	94% (M) / 93% (F)	92% (M) / 92% (F)*	88%
Percentage of non-managerial staff having an annual performance review	69% (M) / 78% (F)	74% (M) / 80% (F)*	63%

* *M: Male / F: Female*

4

DIVERSITY AND INCLUSION[(1)]

Diversity & Inclusion are entrenched in Lafarge corporate values. One of them is the belief that only by having diverse perspectives and diverse talent we will be able to innovate and shape the future of the building materials industry.

During 2014 we made progress in a number of fronts:

- women represent now 19% of our senior management positions, a number which has been increasing constantly in the last 10 years;
- we have been awarded the Gender Equality European & International Standard (GEEIS) after an external audit, conducted by Bureau Veritas, of our group policies and their deployment at international level in Spain, Brazil and Nigeria. Included in the audit scope were the Group policy in regards to equality in the workplace, training delivered to managers and pay practices;
- we have developed a global Diversity and Inclusion policy to adopt a shared language, reinforce the consistency of our approach, and maintain the overall momentum.

Despite our level of progress, we are aware that attracting and developing diverse talent and building an inclusive work environment are long term objectives. We continue to measure our progress at country level through an inclusion index and a Diversity & Inclusion maturity model, and we are developing global partnerships with other organizations to share learnings and reinforce our internal capabilities.

INCREASING NUMBER OF WOMEN IN LEADERSHIP

	2014	2013	2012
Boards of Directors	25.0%	20.0%	18.8%
Senior executives and managers (Lafarge grades 18+)*	19.2%	18.6%	16.4%
Senior executives (Lafarge grades 23+)	10.5%	12.1%	11.2%
Senior managers (Lafarge grades 18-22)*	19.8%	19.1%	16.7%
Managers (all categories)	20.7%	20.3%	19.7%
Non-managers employees	13.9%	14.7%	14.9%

* *Employees from the joint venture Lafarge -Tarmac in the United Kingdom are not accounted for due to a difference in categories for seniority levels.*

(1) *G4-DMA: non-discrimination, G4-DMA: equal remuneration for women and men, G4-DMA: diversity and equal opportunity.*

c) A constructive social dialogue for the merger project

SOCIAL DIALOGUE FOR A GLOBAL AND SHARED STRATEGY

Lafarge values the involvement of employees representatives[1], especially in a rapidly changing business environment. In 2013 Lafarge signed a Global Framework Agreement on corporate social responsibility and international industrial relations with the Building and Wood Workers' International (BWI) and IndustriALL Global Union. Through this agreement Lafarge stresses its commitment to abiding by the ILO Declaration on Fundamental Principles and Rights at Work as well as by the UN Global Compact and the OECD Guidelines for Multinational Enterprises. Lafarge also recognizes the United Nations Guiding Principles on Business and Human Rights[2].

In the context of the merger project with Holcim, Lafarge intends to involve employees' representatives in order to maintain high-quality social dialogue in a period of major strategic change for the Group and its employees. This is why we signed with our European Works Council on May 2014 a methodology agreement that details the information and consultation procedure[3], involves the representatives at each step of the procedure and offers them the proper means to exercise their role. The social steps highlighted in this agreement are similar to the procedures we are conducting with the Works Council of Lafarge holding. Furthermore, for many years now, Lafarge has a sustained collaboration with international unions. This led to a meeting in Belgium on November 2014 between Human Resources Directors of both companies and Building and Woodworker's International, European Federation of Building and Woodworkers and IndustriALL Global union affiliates from Lafarge and Holcim plants from around the world in order to exchange about the project.

EMPLOYEES COVERED BY COLLECTIVE AGREEMENTS

	2014	2013	2012
Health and safety*	65%	62%	62%
Restructuring	61%	58%	58%
Compensation and benefits	65%	64%	62%
Others	25%	36%	28%
Staff employees represented by staff representatives or trade union organizations**	65%	64%	70%
Entities with collective agreements	76%	75%	78%
Entities having informed their employees on strategy	81%	83%	-

* *G4-LA8.*
** *G4-HR4.*

(1) *G4-DMA: labor/management relations, G4-DMA: freedom of association.*
(2) *G4-DMA: investments (human rights), G4-DMA: child labor.*
(3) *G4-LA4.*

4.4 KEY PERFORMANCE INDICATORS

4.4.1 TABLE OF KEY PERFORMANCE INDICATORS

Issue	Indicators	2014	2013	2012	Scope	GRI
BUILDING COMMUNITIES						
HEALTH AND SAFETY						
Health programs	Sites covered by a medical emergency response plan (%) new	99%	90%	-	Group	
	Group companies with a comprehensive programme in place for public health issues / epidemics (HIV, Ebola…) (%) new	43%	-	-	Group	
Fatalities	Fatalities (employees)	3	3	5	Group	G4-LA6
	Fatalities per 10,000 employees	0.47	0.47	0.77	Group	G4-LA6
	Fatalities (sub-contractors)	13	11	12	Group	G4-LA6
	Fatalities (third party)	8	12	8	Group	G4-LA6
	Total	24	26	25	Group	G4-LA6
By region	Fatalities at Corporate level new	0	-	-		G4-LA6
	Fatalities in Western Europe new	2	-	-		G4-LA6
	Fatalities in North America new	4	-	-		G4-LA6
	Fatalities in Central and Eastern Europe new	1	-	-		G4-LA6
	Fatalities in Middle East and Africa new	14	-	-		G4-LA6
	Fatalities in Latin America new	0	-	-		G4-LA6
	Fatalities in Asia new	3	-	-		G4-LA6
Lost Time Injuries(1)	Lost Time Injuries (employees)	72	72	105	Group	G4-LA6
	Lost Time Injuries per 1 million manhours (employees)	0.58	0.54	0.75	Group	G4-LA6
	Lost Time Injuries (sub contractors) - on site	39	51	51	Group	G4-LA6
	Lost Time Injuries per 1 million manhours (sub-contractors) - on site	0.39	0.44	0.47	Group	G4-LA6
	Lost Time Injuries per 1 million manhours (total)	0.49	0.49	0.62	Group	G4-LA6
	Total number of Lost Time Injuries (employees + sub contractors)	111	123	156	Group	G4-LA6
Lost Time Injuries per 1 million manhours(1) by region (employees and sub contractors)	Lost Time Injuries at Corporate level new	2.18	-	-		G4-LA6
	Lost Time Injuries in Western Europe new	1.59	-	-		G4-LA6
	Lost Time Injuries in North America new	0.80	-	-		G4-LA6
	Lost Time Injuries in Central and Eastern Europe new	0.50	-	-		G4-LA6
	Lost Time Injuries in Middle East and Africa new	0.41	-	-		G4-LA6
	Lost Time Injuries in Latin America new	1.01	-	-		G4-LA6
	Lost Time Injuries in Asia new	0.17	-	-		G4-LA6
	Total	0.49	-	-		G4-LA6
Occupational incidents (total)	Total Incident Frequency Rate (TIFR)	2.41	2.64	3.05	Group	G4-LA6

Issue	Indicators	2014	2013	2012	Scope	GRI
COMMUNITY DEVELOPMENT AND OUTREACH						
Stakeholder Engagement[(2)]	Sites mapping their stakeholders (%)	90%	69%	55%	Cement	
		49%	39%	31%	A&C[(3)]	
	Sites developing action plans (%)	51%	48%	55%	Cement	G4-SO1
		9%	10%	25%	A&C	G4-SO1
	Sites meeting regularly with their local stakeholders / representatives of local communities (%)	84%	86%	67%	Cement	
		39%	40%	34%	A&C	
	Site maintaining community partnerships and programs (%)	96%	83%	72%	Cement	
		70%	57%	47%	A&C	
	Countries having implemented job creation plans/ professional education programs (%)	44%	37%	-	Group	
	Countries having measured their sites' socio-economic footprint (%)	55%	50%	-	Group	G4-SO1
Spend and donation	Cash contributions [new] (million euros)	16	-	-	Group	
	Time: employee volunteering during paid working hours (hours)	118,000	57,000	-	Group	
	In-kind giving: products or services donations [new] (million euros)	10.6	-	-	Group	
EMPLOYEE DIVERSITY AND SKILLS						
Workforce	Total headcount	63,038	63,687	64,337	Group	G4-10
	Full-time employees (%)	98%	98.7%	99.1%	Group	G4-10
	Part-time employees (%)	2%	1.3%	0.9%	Group	G4-10
	Permanent employees (%)	95%	97%	96.4%	Group	G4-10
	Fixed-term contract employees (%)	5%	3%	3.6%	Group	G4-10
	Employees under the age of 30 (%)	14.4%	14.5%	15.0%	Group	G4-LA12
	Employees between 30 and 50 (%)	62.9%	63.5%	63.6%	Group	G4-LA12
	Employees above 50 (%)	22.7%	22%	21.4%	Group	G4-LA12
	Number of sub-contractors	35,420	32,571	31,577	Group	G4-10
	Proportion of senior management hired from the local community (%)[(4) new]	79.8%	-	-	Group	G4-EC6
Employees by business	Employees in Cement	37,578	37,948	41,249	Cement	
	Employees in Aggregates & Concrete	25,630	25,009	21,780	A&C	
	Employees in other businesses	683	730	1,308	Other	
Employees by region	Employees in Western Europe	14,880	14,431	11,448	Group	G4-10
	Employees in North America	7,863	7,752	8,821	Group	G4-10
	Employees in Central and Eastern Europe	5,575	6,086	7,041	Group	G4-10
	Employees in Middle East and Africa	18,881	19,055	19,644	Group	G4-10
	Employees in Latin America	2,177	2,269	2,609	Group	G4-10
	Employees in Asia	13,662	14,094	14,774	Group	G4-10

Issue	Indicators	2014	2013	2012	Scope	GRI
Turnover and retention	Employee turnover rate (%)[5]	14.7%	16.1%	14.2%	Group	G4-LA1
	at Corporate level (%) new	16.5%	-	-		G4-LA1
	in Western Europe (%) new	12.8%	-	-		G4-LA1
	in North America (%) new	28.7%	-	-		G4-LA1
	in Central and Eastern Europe (%) new	25.0%	-	-		G4-LA1
	in Middle East and Africa (%) new	8.6%	-	-		G4-LA1
	in Latin America (%) new	15.8%	-	-		G4-LA1
	in Asia (%) new	12.4%	-	-		G4-LA1
	Voluntary employee turnover rate (%)	6.3%	5.3%	4.6%	Group	G4-LA1
	Hirings	6,155	6,991	5,544	Group	G4-LA1
	Resignations	3,481	3,354	2,996	Group	G4-LA1
	Retirements	970	993	910	Group	G4-LA1
	Redundancies	1,079	2,025	3,298	Group	G4-LA1
	Deaths (non occupational causes)	101	114	98	Group	G4-LA1
	Male / Female fatalities	23M/1F	24M/2F	24M/1F	Group	G4-LA1
Employer of choice	Countries where Lafarge is recognized as "Employer of Choice"	5	3	-	Group	
Training and skills development	Hours of training	1,454,592	1,557,717	1,577,585	Group	G4-LA9
	Hours of training for management staff (average per person)	30	37	39	Group	G4-LA9
	Hours of training for non-management staff (average per person)	36	36	33	Group	G4-LA9
	Number of hours of online training new	24,691	-	-	Group	G4-LA9
	Managers who had an annual performance review (M/F, %)	94% / 93%	91.9% / 92.4%	88%	Group	G4-LA11
	Non-managers who had an annual performance review (M/F, %)	69% / 78%	73.7% / 80.4%	63% -	Group	G4-LA11
	Key positions covered by certification programs (%)	33%	25%	-	Cement	
	For job families with certification programs, % of employees having completed certification for their position	52%	35%	-	Cement	
Diversity	Top management positions held by women(%) new	10.5%	-	-	Group	G4-LA12
	Senior management positions held by women (%)	19.2%	18.6%	16.4%	Group	G4-LA12
	Junior management positions held by women (%) new	20.6%	-	-	Group	G4-LA12
	Women in total workforce (%) new	15.6%	-	-	Group	G4-10
	Entities with a recruitment and/ or career development plan aimed at a specific population (%)	38%	37%	45%	Group	
	Of which% of entities with a specific program for women	68%	70%	76%	Group	
	Of which% of entities with a specific program for disabled workers	36%	37%	33%	Group	
	Total number of incidents of discrimination, harassment or bullying new	9	-	-	Group	G4-HR3
	Total number of corrective actions taken on above incidents new	9	-	-	Group	G4-HR3
Working Hours	Employees working three 8-hour shifts (%)	13%	14.1%	16%	Group	
	Employees working two 8-hour shifts (%)	8%	8.7%	8.2%	Group	
Social dialogue	Entities having strike actions	5	6	4	Group	MM4
	Entities where employees are covered by collective agreements (%)	76.2%	75.3%	78%	Group	G4-11
	Workforce represented in Health and Safety Committees (%)	98%	97.5%	99%	Group	G4-LA5

Issue	Indicators	2014	2013	2012	Scope	GRI
Grievances	Number of grievances about human rights impacts filed through formal grievance mechanisms new	0	-	-	Group	G4-HR12
	Number of grievances about human rights impacts resolved new	0	-	-	Group	G4-HR12
	Countries that confirmed they do not employ children (%)	100%	-	-	Group	G4-HR5
	Countries that confirmed that no forced or compulsory labor is employed (%)	100%	-	-	Group	G4-HR6
Employee satisfaction	Entities conducting employees survey (%)	31.75%	24,70%	-	Group	
GOVERNANCE						
Competition compliance	Countries that have implemented the Competition Compliance Program (%)	100%	100%	100%	Group	
	Fines paid for anticompetitive business practices (euros) new	0	-	-	Group	G4-SO7
	Number of training sessions on antitrust (specific training) new	1,403	-	-	Group	
Code of Business Conduct	Number of training sessions on the Code of Business Conduct(6) new	5,700	-	-	Group	G4-HR2, G4-SO4
Corruption	Number of confirmed incidents of corruption	0	-	-	Group	G4-SO5
Political contributions	Number of group companies making political donations new	3	-	-	Group	G4-SO6
	Political contributions (thousands euros) new	79	-	-	Group	G4-SO6
Suppliers	Purchases from suppliers who have agreed to respect communities and workers' human rights (%)	99%	99%	-	Group	
	Number of suppliers assessed by third party on ESG issues since 2012	550	311	-	Group	G4-EN32, G4-LA14, G4-HR10, G4-SO9
Security	Entities contracting security agencies to protect personnel and property	50	74	74	Group	
	% of which employ armed security agency personnel	24%	32%	23%	Group	
	% of armed agency personnel training on the use of arms and particularly on the respect of Human Rights new	36%	-	-	Group	G4-HR7
Economic value distributed (million euros) new	Revenues	12,843.0	-	-	Group	G4-EC1
	- Operating costs	8,631.0	-	-	Group	G4-EC1
	- Employee wages and benefits	1,917.0	-	-	Group	G4-EC1
	- Payments to providers of capital	289.0	-	-	Group	G4-EC1
	- Payments to government	443.0	-	-	Group	G4-EC1
	- Community investments	26.6	-	-	Group	G4-EC1
	Economic value retained	15.8	-	-	Group	G4-EC1
Building sustainably						
Sales	Sales generated from sustainable products & services (billion euros)	1.8	1.8	2.2	Group	
	Revenues generated from building products made with at least 30% of substituted raw materials (%) new	61%	-	-	Cement	
Customers	Countries measuring customer satisfaction (%) new	75%	-	-	Group	G4-PR5

Issue	Indicators	2014	2013	2012	Scope	GRI
BUILDING THE CIRCULAR ECONOMY[7]						
Carbon emissions	Gross CO_2 emissions (million tons)[8]	93.29	91.12	93.76	Cement	G4-EN15
	Net CO_2 emissions (million tons)[8]	89.78	88.11	91.24	Cement	G4-EN15
	Specific gross CO_2 emissions (kg/ ton cementitious material)	594	596	600	Cement	G4-EN18
	Specific net CO_2 emissions (kg/ ton cementitious material)	572	576	584	Cement	G4-EN18
	GHG emissions from energy purchased and consumed (scope 2, million tons)	8.7	8.7	8.6	Group	G4-EN16
	GHG emissions from value chain (scope 3, million tons)[9]	2.6	2.4	-	Group	G4-EN17
Other emissions	NOx emissions (ton/ year)	153,620	165,037	180,672	Cement	G4-EN21
	Specific NOx emissions (g/ ton clinker)	1,360	1,497	1,609	Cement	G4-EN21
	SO_2 emissions (ton/ year)	32,041	44,055	38,983	Cement	G4-EN21
	Specific SO_2 emissions (g/ ton clinker)	284	400	347	Cement	G4-EN21
	Dust emissions (ton/ year)	11,774	12,926	14,876	Cement	G4-EN21
	Specific dust emissions (g/ ton clinker)	104	117	132	Cement	G4-EN21
	Mercury emissions (ton/ year)	2.5	2.7	2.2	Cement	G4-EN21
	Specific mercury emissions (mg/ t clinker)	22.6	24.3	19.8	Cement	G4-EN21
	Dioxin/Furan emissions (g TEQ/ year)	4.9[10]	3.3	3.9	Cement	G4-EN21
	Specific dioxin/furan emissions (pg/ ton clinker)	43.3[10]	30.3	35.0	Cement	G4-EN21
	VOC emissions (kt/ year)	3.6	3.9	3.7	Cement	G4-EN21
	Specific VOC emissions (g/ ton clinker)	31.4	35.1	32.9	Cement	G4-EN21
	Heavy metal emissions[11] ("HM1"): Cd+Tl (t/year)	2.7	3.9	4.6	Cement	G4-EN21
	Specific heavy metal emissions ("HM1"): Cd+Tl (mg/ t clinker)	23.9	35.2	39.7	Cement	G4-EN21
	Heavy metal emissions ("HM2"): Pb+As+Co+Ni+Sb+Cr+Cu+Mn+V (t/year)	103.1	108.0	122.7	Cement	G4-EN21
	Specific heavy metal emissions ("HM2"): Pb+As+Co+Ni+Sb+Cr+Cu+Mn+V (mg/ t clinker)	913.0	979.0	1071.0	Cement	G4-EN21
	Clinker produced with monitoring of "HM1" emissions	66.0%	56.9%	52.0%	Cement	
	Clinker produced with monitoring of "HM2" emissions	67.0%	58.5%	54.0%	Cement	
	Clinker produced with monitoring of dust, SO_2 and NOx emissions	99.0%	99.0%	97.0%	Cement	
	Clinker produced with continuous monitoring of dust, SO_2 and NOx emissions	76%[12]	74%	71%	Cement	

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Issue	Indicators	2014	2013	2012	Scope	GRI
ENERGY CONSUMPTION AND RESOURCE MANAGEMENT						
Energy efficiency	Total energy consumption (PJ)	476.7	466.4	471.2	Group	G4-EN3
	Cement new	463.4	-	-	*Cement*	G4-EN3
	Aggregate new	8.5	-	-	*Aggregate*	G4-EN3
	Ready-mix new	1.6	-	-	*Ready-mix*	G4-EN3
	Asphalt new	3.3	-	-	*Asphalt*	G4-EN3
	Direct energy consumption by primary energy source (million Teo)	10.09	9.86	9.98	Group	G4-EN3
	Total power consumption (GWh)	15,340.2	15,040.9	15,058.5	Group	G4-EN3
	Cement new	14,644.3	-	-	*Cement*	G4-EN3
	Aggregate new	481.7	-	-	*Aggregate*	G4-EN3
	Ready-mix new	134.1	-	-	*Ready-mix*	G4-EN3
	Asphalt new	80.0	-	-	*Asphalt*	G4-EN3
	Total fuel consumption (PJ) new	421.5	-	-	Group	G4-EN3
	Cement new	410.6	-	-	*Cement*	G4-EN3
	Aggregate new	6.8	-	-	*Aggregate*	G4-EN3
	Ready-mix new	1.1	-	-	*Ready-mix*	G4-EN3
	Asphalt new	3.0			*Asphalt*	G4-EN3
	Electricity purchased (GWh)	14,127.5	14,103.5	14,952.7	Group	G4-EN3
	Sold electricity (GWh) new	94.8	-	-	Group	G4-EN3
	Energy consumed outside of the organization (transportation, PJ) new	23.4	-	-	Group	G4-EN4
	Specific heat consumption of clinker production (MJ/ ton clinker)	3,613	3,615	3,633	Cement	G4-EN5 G4-EN6
	Clinker Intensity (%)	71.97%	72.09%	71.91%	Cement	
Alternative fuels	Alternative fuels (% of fuel consumption)	17.4%	15.5%	13.0%	Cement	G4-EN3
	Biomass fuel rate (% of fuel consumption)	6.8%	6.3%	5.2%	Cement	G4-EN3
Materials	Quantity of quarried material (million tons)	413.67	426.51	398.03	Group	G4-EN1
	Alternative raw materials rate (%)	7.6%	7.6%	7.3%	Group	G4-EN2
	Consumption of material (million tons)	442.37	454.11	425.48	Group	G4-EN1
Waste	Dust disposed on-site (kton)	494	479	542	Cement	
	Non hazardous waste recovered (kton)	211.0	355.4	342.1	Group	
	Non hazardous waste disposed (kton)	281.7	399.6	362.7	Group	
	Hazardous waste recovered (kton)	8.2	10.9	6.0	Group	
	Hazardous waste disposed (kton)	2.6	2.5	2.0	Group	
	Number of significant spills(13) new	1	-	-	Group	

Issue	Indicators	2014	2013	2012	Scope	GRI
NATURAL RESOURCES						
Biodiversity	Quarries with a rehabilitation plan in place (%)	87.6%	85.1%	84.6%	Group	
	Hectares of rehabilitated area new	636	-	-	Group	G4-EN13, MM1
	Quarries screened for international biodiversity sensitivity using IBAT data (%)	100%	100%	100%	Group	
	Quarries with red listed species (from IUCN protected species list, %)	17.6%	17.0%	17.8%	Group	G4-EN14
	Quarries which operate within or adjacent to an internationally protected area (%)(14)	22.1%	21.7%	18.5%	Group	G4-EN11
	Quarries which operate within or adjacent to an internationally protected area with a Biodiversity Management Plan (BMP, %)	99.3%	100%	99.2%	Group	MM2
	Quarries which operate within or adjacent to a locally protected area (%)(15)	19.1%	19.6%	-	Group	
	Quarries which operate within or adjacent to a locally protected area with a BMP (%)	48.4%	36.6%	-	Group	
	Quarries with a BMP (%)	44.3%	40%	-	Group	
Environmental expenses	Environment capital expenditure (million euros)	79.1	64.5	64.1	Group	G4-EN31
	Environment operating expense (million euros)	87.1	108.5	138.5	Group	G4-EN31
Water	Production in regions with (extreme) water scarcity (%)	19.5%	20%	20.3%	Group	
	Water withdrawal from ground water (million cubic meters)	33.2	46.9	39.6	Group	G4-EN8
	Water withdrawal from open water (million cubic meters)(15)	65.4	65.9	61.5	Group	G4-EN8
	Water withdrawal from municipal supply (million cubic meters)	11.1	12.9	11.6	Group	G4-EN8
	Rainwater harvested (million cubic meters)	5.5	7.4	15.9	Group	G4-EN8
	Water withdrawal for in-house power plant (million cubic meters)(16) new	228,7	-	-	Cement	G4-EN8
	Water discharge to surface water (million cubic meters) new	20.4	-	-	Group	G4-EN22
	Water discharge to ecological purposes (million cubic meters) new	1.5	-	-	Group	G4-EN22
	Water discharge for outside treatment (million cubic meters) new	0.5	-	-	Group	G4-EN22
	Water discharge to other destination (million cubic meters) new	0.9	-	-	Group	G4-EN22
	Quantity of water consumed (million cubic meters)	92.3	99.7	78.8	Group	G4-EN22
	Quantity of fresh water consumed (milion cubic meters) new	84.7	-	-		
	Sites equipped with a water recycling system (%)	72.4%	70.7%	68.9%	Group	G4-EN10

Issue	Indicators	2014	2013	2012	Scope	GRI
Verification	Sites (in terms of revenues) audited as part of our Environmental Management System (%)	91.4%	94.4%	89.3%	Group	
	Sites (in terms of revenues) certified ISO 14001 new	46.5%	-	-	Group	
	Sites (in terms of revenues) with an EMS equivalent to ISO 14001 (%) new	67.7%		-	Group	
	Fines and penalties linked to environnemental issues (thousands euros) new	718	-	-	Group	G4-EN29
	Closure plannings covering health, safety, social, environmental, legal, governance and human resource aspects (%) new	100%	-	-	Group	G4-DMA: closure planning

(1) *Lost Time Injuries include fatalities.*
(2) *Stakeholder mapping means that their local stakeholders and their needs are known. Annual engagement plans detail planned stakeholder engagement. Corporate Social Responsibility (CSR) actions represent financial or non-financial contributions towards community programmes or partnerships. The 2014 data is taken from a survey covering 870 sites with a response rate 97.5% of respondents.*
(3) *A&C: Aggregate & Concrete.*
(4) *Proportion of senior management personnel with a local employment contract.*
(5) *The turnover rate represents the number of people who left the Group in 2014 divided by total headcount at end 2014. It includes departures as a consequence of divestments, such as Russia, which explains the high turnover rate in the Central and Eastern Europe region. In North America, the high turnover rate is explained by temporary labor due to seasonnal activity.*
(6) *The Code of Business Conduct covers the following topics, among others: compliance with laws and regulations, prevention of conflicts of interest, corruption, attention to people and the environment).*
(7) *Energy conversion factors, emissions factors and global warming potential (GWP) rates are consistent with: The Greenhouse Gas Protocol (GHG) Initiative- A corporate accounting and reporting standard (Revised Edition, 2004) of the World Resource Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).*
(8) *As per the CSI protocol.*
(9) *Includes business travel for managers.*
(10) *Increase in dioxin emissions in 2014 is due to three plants in North America, all of which are within regulatory compliance but showed significant increases compared to historical results. The emissions from one plant are due to engineering test where the process conditions were significantly different from normal conditions; investigations are on-going related to the other two.*
(11) *Except for mercury, heavy metals emissions are not included into the scope of verification.*
(12) *92% of Clinker produced with continuous monitoring of dust in 2014.*
(13) *Spills incurring cost over 100,000 euros.*
(14) *Quarries within 0.5 km of IUCN I - VI, Ramsar, IBA, Natura 2000, World Heritage Sites (high biodiversity).*
(15) *Quarries within 0.5 km of local biodiversity sensitive area, quarries with protected species or quarries with naturally occurring caves. (locally sensitive)*
(16) *Following the CSI recommendations, we now report separately water withdrawal for in-house power plants. As a result, past water withdrawal from open water figures have been restated for comparability purpose.*

4.4.2 REPORTING METHODOLOGY

a) Reporting standards

The rules for computing the KPIs are consistent with the GRI (Global Reporting Initiative) G4 Sustainability Reporting Guidelines.

Environmental reporting is done according to the 'Group environmental standard' version V3.7.4, as well as specific instructions and procedures as indicated below. Where detailed definitions of KPIs are defined by WBCSD - CSI (World Business Council for Sustainable Development - Cement Sustainability Initiative), the recommended CSI methodology is used for the calculation of the KPI(1). CSI reporting guidance covers the following key issues: climate protection, fuels & materials, health & safety, emissions reduction, biodiversity and water.

All elements for calculating KPIs are documented in a glossary specific to the Cement or Aggregates and Concrete businesses.

Compliance with GRI G4, details on materiality assessment and a summary of reporting standards used are documented in this report.

b) Scope of consolidation and reporting methodologies(2)

The reporting covers all business units and their industrial production sites under the Group's management control throughout the world(3).

Data is collected from four major sources: the environmental reporting, the social survey, the health and safety reporting and the stakeholder survey.

Environmental data is collected by business line and is then consolidated at Group level.

(1) *G4-EN5.*
(2) *G4-23.*
(3) *G4-20.*

Social data and health and safety data are collected by business units and consolidated at Group level, with health & safety data including contractors as far as accidents are concerned. Social data for 2014 in this report is derived from a survey covering 63 entities[1] representing 95% of the total Group workforce and includes majority owned entities and managed assets. Among other aspects, the social survey collects data on potential grievances on working hours and Human rights, it includes questions to verify that neither child labor nor forced or compulsory labor is used as well as questions on freedom of association and collective bargaining[2]. Headcount data is compiled by an external consultant supervised by Corporate and Country finance departments.

The stakeholder survey collects data from plants for cement and areas/regions for aggregates and concrete.

When a new site is acquired by Lafarge, procedures and definitions for sustainability data are not necessarily in line with Lafarge standards. Accordingly we give new sites a maximum of four years to meet our standards but performance and emissions reporting are included from the start up date. This period is necessary to implement the appropriate management systems. When a plant is sold, we cease to include its performance data and we remove its data from the baseline data used for our Sustainability Ambitions, whether the reference year is 1990 or 2010. For plants divested during the year, social data is excluded for the entire year; for environmental and health and safety, data is included up until the time of divestiture[3].

c) Reporting methodology specifics

We use the CSI Revised Protocol Version 3 to calculate CO_2 emissions between the 1990 baseline and the reporting year.

In 2011 we changed our methodology for calculating air emissions to be in accordance with the March 2012 CSI guidelines for emissions monitoring and reporting in the Cement Industry (wbcsdcement.org). Previously, gas factors based on the type of kiln process were utilized whereas we now use gas factors based on the energy consumption of the specific kiln; prior years data and our baseline (2010) is restated using this methodology for comparison.

For dust, SO_2 and NOx emissions, we use standard emission concentrations based on the site's kiln process when no measurements are available. In 2014 the standard emission concentration was applied to 0.4% of clinker production for dust emissions, 1.0% for SO_2 emissions and 1.1% for NOx emissions.

For clinker produced with monitoring of dust, SO_2 and NOx emissions (%), information was not available for two sites for which we used the 2013 value.

Energy consumed outside of the organization was estimated based on the transportation of our products by the Group, our contractors and our customers.

For water, we implemented for the first time the CSI water protocol issued late 2014[4].

For the calculation of safety KPIs that include contractors, contractor off-site hours are not included in the divisor and therefore these indicators may slightly overstate the frequency rates. Fatalities are included in the calculation of the LTIFR.

Absenteeism data is not consolidated due to the various national definitions under which this data is captured.

d) Control and assurance

For cement emissions data, environmental experts in the regional technical centers (Beijing, Montréal, Kuala Lumpur and Vienna) review and validate the performance data for the plants within their regions.

In compliance with French law, financial and sustainability information must be externally verified as Lafarge is a listed company[5].

Bureau Veritas provides independent verification for sustainability data. A selection of key quantitative indicators were reviewed to issue a limited assurance report (total headcount and breakdown by gender, age, type of employment contract, status, activities, geographic area, workforce hiring, retirements, resignations, redundancies, deaths, hours of training, women in senior and executive management, turn-over, sites ISO 14001 certified, sites environmentally audited, dust, NOx, SO_2, Mercury, VOC, Dioxins/Furans emissions, water withdrawals by sources, consumption of quarried and alternative raw materials, consumption of energy, fuels used, quarries with rehabilitation plans and quarries screened for biodiversity and those having biodiversity management plans, CO_2 emissions, lost time injury frequency rate and fatality rate).

The following indicators were not audited in 2014: sites covered by a medical emergency response plan, senior management hired from the local community, hours of online training, political contributions KPIs, fines paid for anticompetitive business practices, number of training sessions on antitrust, cases of corruption, purchases from suppliers who have agreed to respect communities' and workers' human rights, electricity sold, energy consumed outside the organization, significant spills, customers' satisfaction KPI, closure planning KPI.

(1) *G4-HR9*

(2) *G4-DMA: freedom of association, G4-DMA: child labor, G4-DMA: forced or compulsory labor, G4-DMA: labor practices grievance mechanisms, G4-DMA: human rights grievance mechanisms, G4-DMA: assessment (human rights).*

(3) *G4-22.*

(4) *G4-EN8.*

(5) *G4-33.*

4.4.3 VERIFICATION REPORT ON THE SINCERITY OF THE INFORMATION RELATIVE TO THE TRANSPARENCY REQUIREMENTS ON THE DISCLOSURE BY COMPANIES OF ENVIRONMENTAL AND SOCIAL TOPICS

The reviewed social, environmental and societal information are relative to year ended December 31, 2014.

Request, Responsibilities and Independence

At the request of Lafarge, and in accordance with the requirements of article L.225-102-1 of the French Commercial Code *(Code de commerce)*, we performed, as independent third party, an independent verification of the social, environmental and societal information contained within the section 4 "social and environmental responsibility" of Lafarge 2014 Registration Document.

The preparation and presentation of the qualitative and quantitative information for the publication required by article R.225-105-1 of the French Commercial Code *(Code de commerce)* is the sole responsibility of Lafarge. The collection and management of this information has been coordinated by the Technical Director for Environment of Lafarge Group in accordance with:

- the Group reporting procedure 'group environmental standard' version V3.7.4;
- the Group specific instructions and procedures, a summary of which is provided in Section 4.5.2 (under the heading 'social and environmental responsibility'), relating directly to the table of the Key performance indicators in section 4.4.2.

These are hereafter referred to as 'the reporting methodology', available at Lafarge's Head Office, a summary of which is included in the form of a methodological note in section 4.4.2 of the Registration Document, which will be available on Lafarge's website.

It is our role, in accordance with the requirements of article R.225-105-2 of the French Commercial Code *(Code de commerce)*, to conduct the verification pursuant to the issuing of this verification report.

The conclusions of this report include:

- an attestation of completeness of the social, environmental and societal information required by article R.225-105-1 of the French Commercial Code *(Code de commerce)*;
- a reasoned opinion on the sincerity of the published information as well as a limited assurance opinion of the quantitative information, and if any, a reasoned opinion on the explanation given in case of the omission of certain consolidated information.

This opinion is independently stated, and without partiality. Our work has been conducted according to the professional practices. Bureau Veritas has implemented its Code of Ethics which is applied by its staff.

Nature and scope of our work

We conducted our work from the beginning of November to the signature of the present report, for a period of about 15 weeks, by a team of 7 verifiers. We conducted more than 70 interviews during this mission.

We verified that the social, environmental and societal information covers the consolidated perimeter as defined in articles L 233-1 and L 233-3 of the French Commercial Code *(Code de commerce)*. The perimeter's adjustments for the social, environmental and societal information are clarified in the methodological note of the Registration Document.

For the attestation of completeness of the information we undertook the following work:

- taking note of the Group policy relative to sustainable development, according to its social and environmental impacts and its societal commitments;
- comparison of the information presented in the 2014 Registration Document with the list as set out in article R.225-105-1 of the French Commercial Code *(Code de commerce)*;
- verification of the explanation given in case of omission of consolidated information.

For the reasoned opinion on the sincerity of the information, we conducted our work in accordance with the French legal order, published on the 13th May 2013, determining the methodology according to which the independent third party conducts its mission, and with our methodology.

We conducted the following procedures in order to provide limited assurance that nothing has come to our attention that causes us to believe that the produced information contains any material misstatements likely to call into question its sincerity, in all material aspects according to the 'reporting methodology':

- review of the 'reporting methodology' with regard to relevance, reliability, completeness, understandability of information, relating to good practice within the sector as defined by WBCSD – CSI (World Business Council for Sustainable Development – Cement Sustainability Initiative);
- identification of the persons, within the Group, who are in charge of the collection, and of those who are responsible for the procedures of internal control and risk management, if any;
- verification of the implementation of a process for the collection, treatment, compilation, internal control of the information to guarantee its completeness and consistency;
- examination of the internal control and risks management procedures relative to the preparation of the information;
- discussions with persons in charge of the social, environmental and societal reporting;

- selection of consolidated information to be tested[(1)] and definition of the nature and the scope of the tests, taking into consideration their importance with regard to the social and environmental consequences related to the Group's activities as well as to its societal commitments;
- Regarding the quantitative information we recognized as being the most important, we have:
  - performed an analytical review of the information and, for a sample of information, checked the calculations and the compilation of the information at the corporate level and the controlled entities;
  - selected a sample of sites[(2)] based on their activities, their contribution to the consolidated information, their localization, the results of the previous verification exercises and a risks analysis.
- Regarding each selected entity, we performed the following work:
  - interviews to check that the 'reporting methodology' is correctly implemented;
  - detailed testing, checking, based on sampling, the calculation applied and reconciling the information with supporting evidences.

The sample of the selected sites represents between 14% and 41% of the reported data for the quantitative environmental and social information (except for dioxin/furan emission with a rate of 7%) and around 23% of the clinker production.

- Regarding the qualitative information we believe to be the most important, we have conducted interviews, examined source documents and, if any, public information;
- Regarding the explanations relative to the missing/omitted information, we assessed their relevance.

Comments on the "reporting methodology" and on the information

The procedures and process for the Group reporting lead us to make the following comments:

- maintain the good level of internal verification relative to water consumption in order to assure the reliability of the breakdown values by supply sources. In aggregates quarries, water consumption is most commonly estimated, it is necessary to strengthen the implementation of the internal method of reporting and control;
- the method to account for subcontractor employee headcount differs between sites; however, at the global level the data is seen to be consistent on a year-to-year basis;
- for safety indicators, although no significant anomaly was detected, the collection of worked hours for subcontractors should be strengthened;
- although no significant anomaly was detected relative to the Group data, it is important to note that contributors to training hours KPI's in China were not informed of the need to break down this indicator by status;
- there has been a change to the internal process of verifying environmental data for the cement product line, following a reorganization of the technical centers. This process needs to be monitored to ensure there is no deterioration in the quality of information reported to head office;
- it is important to note that the sites considered within the scope for the calculation of mercury specific emission values (expressed in mg/t clinker) for the year 2010 are different from the sites considered for the years 2012, 2013, 2014. The evolution of the published values can be mainly explained by this change of scope.

Attestation of completeness of the information

Based on our work, within the perimeter defined by the Group, we attest to the completeness of all the required social, environmental and societal information.

Sincerity opinion and limited assurance

Except the qualified opinion above, based on our work, nothing has come to our attention to suggest that the social, environmental and societal information communicated by Lafarge Group in its 2014 Registration Document is not fairly presented in all material aspects in accordance with the reporting methodology.

The explanation in case of omission of consolidated information appears to be acceptable.

Puteaux, March 6, 2015

Bureau Veritas

Jacques Matillon

Agency Director

(1) *Information with limited assurance.*

__Social Information:__ total and headcount breakdown by gender, age, type of contract of employment, status, activities, geographic area; workforce hiring; retirements; resignations; redundancies, deaths ; hours of training; women in senior and executive management; turn-over.

__Environmental and Health & Safety Information:__ sites ISO 14001 certified, sites environmentally audited; dust; NOx; SO_2; Mercury; VOC, Dioxins /Furans emissions, water withdrawals by sources; consumption of quarried and alternative raw materials; consumption of energy, fuels used, quarries with rehabilitation plans and quarries screened for biodiversity and those having biodiversity management plans, CO_2 emissions, lost time injury frequency rate and fatality rate.

(2) *For social information the contributor entities in the following countries: China, France, Algeria and Jordan.*

For environmental and health & safety information: the cement business units in Algeria, China, France and Jordan, for aggregates & concrete business units in France and Jordan, 4 cement plants on site, 1 cement quarry, 1 aggregate quarry, 1 aggregates/concrete/asphalt center located across the 4 countries above, moreover 17 cement plants have been verified off site.

4.5 GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX – G4

Our sustainability reporting is aligned with the GRI G4 Guidelines; Lafarge has chosen the Comprehensive 'In accordance' option[(1)].

A content index matching the GRI Standard Disclosures with information included in our reporting is presented below. Material aspects are covered and the reporting process is supervised by the Senior Vice President Sustainable Development[(2)]. Detailed information on the reporting methodology is provided in section 4.4.2[(3)].

The following aspects have been assessed as non material given the nature of Lafarge activities:

- Procurement practices: due to the local nature of Lafarge activities, procurement is a substantially local activity which takes place in accordance with specific global requirements highlighted within this report.
- Waste and effluents: the quantities of offsite waste and effluents are not significant compared to emissions to air; quantities are shown within this report.
- Customer Health and Safety: our building materials are sold business-to-business and are generally used as input materials to other businesses. We publish materials safety data sheets for all our significant products
- Product and service labeling: labeling issues are not significant for the Group as most products are sold in bulk.
- Marketing communications: Lafarge's products are not consumer goods and do not involve intensive marketing.
- Customer privacy: our products are generally sold business-to-business and therefore personal privacy issues are not relevant.
- Product compliance: our products are subject to strict specifications in almost all jurisdictions in which they are sold and products are not shipped if they do not meet the required standards.

Questions about this report can be directed to the following email address: sustainability@lafarge.com[(4)]

(1) *G4-32.*

(2) *G4-48.*

(3) *G4-18.*

(4) *G4-31.*

GENERAL STANDARD DISCLOSURES

General Standard Disclosures	Page Number (or Link)	Reason(s) and explanation(s) for omission(s)	External Assurance[(1)]
STRATEGY AND ANALYSIS			
G4-1	This information can be found on our website: Sustainable Development section / Vision & strategy, marked GRI G4-1		-
G4-2	p.13, p.134, p.174		√ (p.162)
ORGANIZATIONAL PROFILE			
G4-3	p.10		-
G4-4	p.10		-
G4-5	p.10		-
G4-6	p.3		√ (p.162)
G4-7	p.10		-
G4-8	p.14		-
G4-9	p.4, p.64, p.201		√ (p.162)
G4-10	p.148, p.149, p.154, p.155		√ (p.162)
G4-11	p.155		√ (p.162)
G4-12	p.22		-
G4-13	Financial note 3		√ (p.162)
G4-14	p.138, p.177		-

(1) *The External Assurance Statement is available on page 162.*

General Standard Disclosures	Page Number (or Link)	Reason(s) and explanation(s) for omission(s)	External Assurance[1]
G4-15	This information can be found on our website: Sustainable Development section / Our dialogue with the public sphere, marked GRI G4-15		-
G4-16	This information can be found on our website: Sustainable Development section / Our dialogue with the public sphere, marked GRI G4-16		-
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Financial note 35		√ (p.162)
G4-18	p.134, p.164		-
G4-19	p.134, p.135, more information can be found on our website: Sustainable Development section / Vision & strategy, marked GRI G4-19		-
G4-20	p.160		-
G4-21	p.134, p.139, p.140, p.147, see also indicators inherently related to external aspects (eg. community engagement)		-
G4-22	p.161		-
G4-23	p.160		-
STAKEHOLDER ENGAGEMENT			
G4-24	p.145, more information can be found on our website: Sustainable Development section / our stakeholders, marked GRI G4-24		-
G4-25	p.138, p.145		-
G4-26	p.145		√ (p.162)
G4-27	This information can be found on our website: Sustainable Development section / Society / Building communities, marked GRI G4-27		-
REPORT PROFILE			
G4-28	Report's cover (calendar year)		-
G4-29	April 2, 2014		-
G4-30	Report's cover (annual)		-
G4-31	p.164		-
G4-32	p.164		-
G4-33	p.161		-
GOVERNANCE			
G4-34	p.98, p.99, p.107		√ (p.162)
G4-35	p.134		-
G4-36	p.108		-
G4-37	This information can be found on our website: Sustainable Development section / Our stakeholders panels, marked GRI G4-37		-
G4-38	p.72		√ (p.162)
G4-39	p.69		
G4-40	p.93		√ (p.162)
G4-41	p.95		-
G4-42	p.104, p.108		-
G4-43	p.97		-
G4-44	p.69, p.99		-
G4-45	p.104, p.134		-

(1) *The External Assurance Statement is available on page 162.*

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General Standard Disclosures	Page Number (or Link)	Reason(s) and explanation(s) for omission(s)	External Assurance(1)
G4-46	p.101		-
G4-47	p.104		√ (p.162)
G4-48	p.164		-
G4-49	p.184		-
G4-50	p.183		-
G4-51	Section 3, part 3.4 and 3.5 (from p.109 onwards)		√ (p.162)
G4-52	p.110		-
G4-53	p.103, p.118		√ (p.162)
G4-54		Currently unavailable (a): we do not collect the local compensation and benefits data centrally. This information will be considered after post merger integration with Holcim (merger project expected to be completed in July 2015). We will consider updating our annual social questionnaire sent to countries to collect this information.	-
G4-55		Currently unavailable (a). This information will be considered after post merger integration with Holcim (merger project expected to be completed in July 2015). We will consider updating our annual social questionnaire sent to countries to collect this information.	-
ETHICS AND INTEGRITY			
G4-56	p.147, p.184		-
G4-57	p.184, more information can be found on our website: Group / Corporate governance section / Code of Business Conduct, marked GRI G4-57		-
G4-58	p. 184		-

(1) *The External Assurance Statement is available on page 162.*

SPECIFIC STANDARD DISCLOSURES

DMA and Indicators	Page Number (or Link)	Reason(s) and explanation(s) for omission(s)	External Assurance(1)
ECONOMIC			
ECONOMIC PERFORMANCE			
G4-DMA	p.15		-
G4-EC1	p.156		√ (p.162)
G4-EC2	p.13, p.134, p.174, p.183		√ (p.162)
G4-EC3	p.120, p.150, p.179		-
G4-EC4		Currently unavailable (a,b and c): we do not collect this information centrally. This indicator will be considered after post merger integration with Holcim (merger project expected to be completed in July 2015). We will consider surveying countries' headquarters to collect this information.	-
MARKET PRESENCE			
G4-DMA	p.13		√ (p.162)
G4-EC5		Currently unavailable (a,b and c). This information will be considered after post merger integration with Holcim (merger project expected to be completed in July 2015). We will consider updating our annual social questionnaire sent to countries to collect this information.	-
G4-EC6	p.154		-

(1) *The External Assurance Statement is available on page 162.*

DMA and Indicators	Page Number (or Link)	Reason(s) and explanation(s) for omission(s)	External Assurance[1]
INDIRECT ECONOMIC IMPACTS			
G4-DMA	p.28, p.145, p.146		√ (p.162)
G4-EC7	p.16, more information can be found on our website: Customers and businesses section / Infrastructures, marked GRI G4-EC7		-
G4-EC8	p.16, p.18, p.146, p.147		√ (p.162)
ENVIRONMENTAL			
MATERIALS			
G4-DMA	p.19, p.28		√ (p.162)
G4-EN1	p.158		√ (p.162)
G4-EN2	p.135, p.138, p.139, p.158		√ (p.162)
ENERGY			
G4-DMA	p.21, p.140		√ (p.162)
G4-EN3	p.158		√[2] (p.162)
G4-EN4	p.158		-
G4-EN5	p.158, p.160		√ (p.162)
G4-EN6	p.158		√ (p.162)
G4-EN7	p.18, p.136		√ (p.162)
WATER			
G4-DMA	p.28, p.139		√ (p.162)
G4-EN8	p.159, p.161		√ (p.162)
G4-EN9		Not applicable: we are not a significant water user. We report on our program for all sites in water scarce areas.	-
G4-EN10	p.139, p.159		√ (p.162)
BIODIVERSITY			
G4-DMA	p.28, p.138		√ (p.162)
G4-EN11	p.136, p.138, p.139, p.159		√ (p.162)
G4-EN12	p.138		-
G4-EN13	p.138, p.159		√ (p.162)
G4-EN14	p.159		√ (p.162)
MM1	p.138, p.159		-
MM2	p.138, p.159		√ (p.162)
EMISSIONS			
G4-DMA	p.23, p.134		√ (p.162)
G4-EN15	p.141, p.157		√ (p.162)
G4-EN16	p.141, p.157		√ (p.162)
G4-EN17	p.141, p.157		√ (p.162)
G4-EN18	p.140, p.157		√ (p.162)
G4-EN19	p.140		-
G4-EN20		Not applicable.These substances are not produced, imported or exported by Lafarge.	-
G4-EN21	p.157		√ (p.162)

(1) *The External Assurance Statement is available on page 162.*

(2) *Electricity sold was not audited.*

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DMA and Indicators	Page Number (or Link)	Reason(s) and explanation(s) for omission(s)	External Assurance[(1)]
PRODUCTS AND SERVICES			
G4-DMA	p.134		-
G4-EN27	p.134, p.140, p.141		√ (p.162)
G4-EN28		Currently unavailable (a and b). Building a circular economy is one of the pillars of Lafarge's Sustainability Ambitions 2020 and we track the amount of our products that contain recycled materials (G4-EN2). The majority of our products are shipped in bulk, *i.e.* without packaging.This information will be considered after post merger integration with Holcim (merger project expected to be completed in July 2015). We will consider updating the Group environmental reporting to include this information.	-
COMPLIANCE			
G4-DMA	p.177, p.184		-
G4-EN29	p.160		-
TRANSPORT			
G4-DMA	p.36		√ (p.162)
G4-EN30	p.141		√ (p.162)
OVERALL			
G4-DMA	p.23, p.134		√ (p.162)
G4-EN31	p.159		√ (p.162)
SUPPLIER ENVIRONMENTAL ASSESSMENT			
G4-DMA	p.147		√ (p.162)
G4-EN32	p.156		√ (p.162)
G4-EN33		Currently unavailable (a, b, c, d and e): a true impact assessment is not available from suppliers. We assess suppliers on their overall environmental policy. This information will be considered after post merger integration with Holcim (merger project expected to be completed in July 2015). We will liaise with our external specialist for supplier assessment to define the adequate KPI.	-
ENVIRONMENTAL GRIEVANCE MECHANISMS			
G4-DMA	This information can be found on our website: Sustainable Development section / Society / Building communities, marked GRI G4-DMA: grievance mechanisms		-
G4-EN34	This information can be found on our website: Sustainable Development section / Society / Building communities, marked GRI G4-EN34		-
SOCIAL			
LABOR PRACTICES AND DECENT WORK			
EMPLOYMENT			
G4-DMA	p.24		√ (p.162)
G4-LA1	p.149, p.155		√ (p.162)
G4-LA2	p.150		-
G4-LA3		Currently unavailable (a, b, c, d and e). Collecting this information would require major updates on our information system. This information will be considered after post merger integration with Holcim (merger project expected to be completed in July 2015). We will investigate reporting options with HR based on the future HR information system, focusing on part a).	-

(1) *The External Assurance Statement is available on page 162.*

DMA and Indicators	Page Number (or Link)	Reason(s) and explanation(s) for omission(s)	External Assurance[1]
LABOR/MANAGEMENT RELATIONS			
G4-DMA	p.152		-
G4-LA4	p.152		-
MM4	p.155		√ (p.162)
OCCUPATIONAL HEALTH AND SAFETY			
G4-DMA	p.26, p.144		√ (p.162)
G4-LA5	p.155		√ (p.162)
G4-LA6	p.153		√ (p.162)
G4-LA7	p.145		-
G4-LA8	p.152		√ (p.162)
TRAINING AND EDUCATION			
G4-DMA	p.150		√ (p.162)
G4-LA9	p.155		√ (p.162)
G4-LA10	p.150		-
G4-LA11	p.155		√ (p.162)
DIVERSITY AND EQUAL OPPORTUNITY			
G4-DMA	p.151		√ (p.162)
G4-LA12	p.154, p.155		√ (p.162)
EQUAL REMUNERATION FOR WOMEN AND MEN			
G4-DMA	p.151		√ (p.162)
G4-LA13		Currently unavailable (a and b): this indicator is currently being integrated into our new HR information system and should be available after 2016.	-
SUPPLIER ASSESSMENT FOR LABOR PRACTICES			
G4-DMA	p.147		√ (p.162)
G4-LA14	p.156		√ (p.162)
G4-LA15		Currently unavailable (a, b, c, d and e): a true impact assessment is not available from suppliers. We assess suppliers on their overall labor policies. This information will be considered after post merger integration with Holcim (merger project expected to be completed in July 2015). We will liaise with our external specialist for supplier assessment to define the adequate KPI.	-
LABOR PRACTICES GRIEVANCE MECHANISMS			
G4-DMA	p.161		-
G4-LA16		Currently unavailable (a, b and c): we only collect partial data on working hours. This information will be considered after post merger integration with Holcim (merger project expected to be completed in July 2015). We will consider updating our annual social questionnaire sent to countries to collect this information.	-
HUMAN RIGHTS			
INVESTMENT			
G4-DMA	p.147, p.152		-
G4-HR1	p.147		-
G4-HR2	p.156		-
NON-DISCRIMINATION			
G4-DMA	p.151		√ (p.162)
G4-HR3	p.155		√ (p.162)
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
G4-DMA	p.152, p.161		√ (p.162)
G4-HR4	p.152		√ (p.162)
CHILD LABOR			
G4-DMA	p.152, p.161		√ (p.162)
G4-HR5	p.156		√(p.162)

(1) *The External Assurance Statement is available on page 162.*

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DMA and Indicators	Page Number (or Link)	Reason(s) and explanation(s) for omission(s)	External Assurance[(1)]
FORCED OR COMPULSORY LABOR			
G4-DMA	p.161		√ (p.162)
G4-HR6	p.156		√ (p.162)
SECURITY PRACTICES			
G4-DMA	p.26		√ (p.162)
G4-HR7	p.156		√ (p.162)
INDIGENOUS RIGHTS			
G4-DMA	p.135		-
G4-HR8		Not applicable in 2014: we had no human rights grievances in 2014 - see G4-HR12.	-
MM5		Currently unavailable. Agreements are in place in certain countries. This indicator will be considered after post merger integration with Holcim (merger project expected to be completed in July 2015). We will consider surveying countries to collect this information.	-
ASSESSMENT			
G4-DMA	p.161		√ (p.162)
G4-HR9	p.161		√ (p.162)
SUPPLIER HUMAN RIGHTS ASSESSMENT			
G4-DMA	p.147		√ (p.162)
G4-HR10	p.156		√ (p.162)
G4-HR11		Currently unavailable (a, b, c ,d and e): a true impact assessment is not available from suppliers. We assess suppliers on their overall human Rights policies. This information will be considered after post merger integration with Holcim (merger project expected to be completed in July 2015). We will liaise with our external specialist for supplier assessment to define the adequate KPI.	-
HUMAN RIGHTS GRIEVANCE MECHANISMS			
G4-DMA	p.161		√ (p.162)
G4-HR12	p.156		√ (p.162)
SOCIETY			
LOCAL COMMUNITIES			
G4-DMA	p.145		√ (p.162)
G4-SO1	p.154		√ (p.162)
G4-SO2	This information can be found on our website: Sustainable Development section / Society / Building communities, marked GRI G4-SO2		-
MM6	This information can be found on our website: Sustainable Development section / Society / Building communities, marked GRI MM6		-
MM7	This information can be found on our website: Sustainable Development section / Society / Building communities , marked GRI MM7		-

(1) *The External Assurance Statement is available on page 162.*

DMA and Indicators	Page Number (or Link)	Reason(s) and explanation(s) for omission(s)	External Assurance[1]
ANTI-CORRUPTION			
G4-DMA	p.184		√ (p.162)
G4-SO3	p.188		-
G4-SO4	p.156		-
G4-SO5	p.156		-
PUBLIC POLICY			
G4-DMA	This information can be found on our website: Group / Corporate governance / Code of Business Conduct, marked GRI G4-DMA: public policy		-
G4-SO6	p.156		-
ANTI-COMPETITIVE BEHAVIOR			
G4-DMA	p.176, p.185		√ (p.162)
G4-SO7	p.156		√ (p.162)
COMPLIANCE			
G4-DMA	p.177, p.184		√ (p.162)
G4-SO8		Currently unavailable (a, b and c): we need to make our reporting processes more rigorous so that this indicator can be reported. This indicator will be considered after post merger integration with Holcim (merger project expected to be completed in July 2015).	-
SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY			
G4-DMA	p.147		√ (p.162)
G4-SO9	p.156		√ (p.162)
G4-SO10		Currently unavailable (a, b, c ,d and e): a true impact assessment is not available from suppliers. We assess suppliers on their overall policies regarding society matters. This information will be considered after post merger integration with Holcim (merger project expected to be completed in July 2015). We will liaise with our external specialist for supplier assessment to define the adequate KPI.	-
GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY			
G4-DMA	This information can be found on our website: Sustainable Development section / Society / Building communities, marked GRI G4-DMA: grievance mechanisms		-
G4-SO11	This information can be found on our website: Sustainable Development section / Society / Building communities, marked GRI G4-SO11		-
MATERIAL STEWARDSHIP			
G4-DMA	p.19, p.138		-

(1) *The External Assurance Statement is available on page 162.*

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DMA and Indicators	Page Number (or Link)	Reason(s) and explanation(s) for omission(s)	External Assurance(1)
OTHER SECTOR SPECIFIC INDICATORS : MINING AND METALS SECTOR			
MM3		Not applicable. No significant risks are associated to our quarrying by-products, most of which are reused for quarry rehabilitation..	-
MM8		Not applicable. ASM not in use at Lafarge.	-
MM9		Currently unavailable. This indicator will be considered after post merger integration with Holcim (merger project expected to be completed in July 2015). We will liaise with countries and focus as a first step on collecting data on the number of sites where resettlements took place.	-
CLOSURE PLANNING			
G4-DMA	p.160		-
MM10		Currently unavailable at the corporate level: most of our assets are long-lived assets where we use the property indefinitely. We report on rehabilitation plans for quarries within this report. This information will be considered after post merger integration with Holcim (merger project expected to be completed in July 2015). We will consult with countries about collecting this information.	-

(1) *The External Assurance Statement is available on page 162.*

5

RISKS AND CONTROL

5.1 RISK FACTORS

5.1.1 PRESENTATION OF THE PRINCIPAL RISKS[1]

Lafarge operates in a constantly evolving environment, which exposes the Group to risk factors and uncertainties in addition to the risk factors related to its operations.

The materialization of the risks described below could have a material adverse effect on the operations, financial condition, results, and prospects of Lafarge and on the Lafarge S.A. share price on the stock exchange.

There may be other risks that have not been identified yet or whose occurrence is not considered likely to have such material adverse effect as of the date of this Registration Document.

The information given below is based on certain assumptions and hypotheses, which could, by their nature, prove to be inaccurate.

a) Risks related to the business

RISKS RELATED TO WORLDWIDE PRESENCE

Operations and cyclicality

Lafarge's products are used mainly in the construction sector (buildings and civil works). Demand for Lafarge's products in the different markets in which it operates depends on the level of activity in the construction sector. The construction sector tends to be cyclical and depends on various factors such as the level of infrastructure spending, the level of residential and commercial construction activity, interest rates, and, more generally, the level of economic activity in a given market. The cyclicality of the construction sector together with its dependence on economic activity could have a negative impact on the financial results and the profitability of the operations of Lafarge.

Lafarge manages this risk by operating in geographically diverse markets, with a portfolio of operations both in developed markets and in emerging countries, thereby minimizing its exposure to risk in a given country, although it might be significantly affected by global downturns or in individual significant markets.

See Risks relating to the global economic conditions on page 175.

See Section 2.3 (Results of operations for the years ended December 31, 2014 and 2013) on page 54 for the review of operations per geographical area.

Emerging markets

Approximately 60% of Lafarge's 2014 revenues are derived from emerging markets, defined as countries outside Western Europe and North America. Most of the Group's new production capacity projects are located in emerging markets.

Even if these risks exist elsewhere, major presence in emerging markets exposes Lafarge to risks such as gross domestic product (GDP) volatility, significant currency fluctuations, political, financial and social uncertainties and turmoil, terrorism, civil war and unrest, high inflation rates, exchange control systems, less certainty concerning legal rights and their enforcement, delays in obtaining the local permits and licencing necessary to build and operate facilities, and the possible nationalization or expropriation of privately-held assets, any of which could damage or disrupt operations in a given market.

For example, in Syria, following the extension of the conflict in the North of the country, the employees of our plant located in the Aleppo area were evacuated. The operations are suspended and since September 18, 2014 we no longer have access to the plant. To our knowledge, the plant has suffered only minor damages. As an act of war, the damages are not covered by the Group insurance policies.

In addition, in certain emerging markets it may be difficult to implement and ensure compliance with effective internal control systems.

See also Section 5.1.2 (b) (Risk management systems – Management of the Group's assets portfolio) page 183.

While Lafarge has spread its emerging markets operations across a large number of countries, diversification efforts will not enable Lafarge to avoid risks that affect multiple emerging markets at the same time. No individual emerging country represents over 6% of its sales.

If such risks were to materialize in the future in a significant and lasting manner, this could have a negative impact on the recoverable value of a significant portion of the Group's assets.

See Risk on Acquisition-related accounting issues on page 178 and Note 10 (Goodwill) to the consolidated financial statements on page F35 for further information on principal goodwill and the analysis of the sensitivity of recoverable amounts of our primary assets and on impairment losses.

See Section 2.3 (Results of operations for the years ended December 31, 2014 and 2013) on page 54 for the review of operations per geographical area.

Climate and natural disasters[2]

Being present in a large number of countries increases Lafarge's exposure to meteorological and geological risks such as natural disasters or climate hazards which could damage Lafarge's property or lead to business interruption with a material adverse effect on the Group's operations.

The natural events assessment process in place within the Group was updated in 2014 to take into account the latest improvements in the insurance market modelling tools.

The current outcome of the modelling process is that 17% of the insured assets are classified under "significantly or high" risk categories, relating to earthquake and hurricane risks.

(1) *G4-2.*
(2) *G4-EC2.*

At the same time, the site-specific Natural Hazards risk analysis program launched in 2011 was continued. This program aims at classifying sites according to their risk exposure and identifying potential losses depending on their financial impact by event, country or financial year as well as the probability of occurrence.

In the future, other assets may prove to be exposed to meteorological and geological risks.

See Section 5.1.2 (b) (Risk management systems) on page 183 and Section 5.1.3 (Insurance and risk coverage) on page 186 for more information on risk management by the Group.

Seasonality and weather

Construction activity, and thus demand for Lafarge's products, decreases during periods of very cold weather, snow, or sustained rainfall. Consequently, demand for Lafarge's products is lower during the winter in temperate countries and during the rainy season in tropical countries. Sales in Europe, North America and other markets generally increase during the second and third quarters due to better weather conditions. However, high levels of rainfall or low temperatures can adversely affect operations during these periods as well. Such adverse weather conditions can materially affect operational results and profitability if they occur with unusual intensity, during abnormal periods, or last longer than usual in Lafarge's major markets, especially during peak construction periods.

See Section 2.3 (Results of operations for the years ended December 31, 2014 and 2013) on page 54 for the review of operations per geographical area.

RISKS RELATED TO GLOBAL ECONOMIC OUTLOOK

Lafarge's results depend mainly on residential, commercial, and infrastructure construction activity, and spending levels.

The global economic and financial crisis that began during the second half of 2008 and the ongoing Eurozone sovereign debt crisis significantly are impacting the construction business in developed markets.

To varying degrees depending on the market, this has had, and may continue to have, a negative impact on product demand as well as on Lafarge's business and operational results.

For example, operations in Greece and Spain have suffered from tougher economic conditions since 2009, resulting in particular from governmental austerity measures in the context of the sovereign debt crisis in the Eurozone. Together, both countries represent together approximately 2% of Lafarge's sales in 2014.

Lafarge has prepared internal analysis of potential worldwide demand for Lafarge's products for purposes of internal planning and resource allocation. Lafarge's analysis of worldwide demand for cement is described in Sections 1.3.1 (d) (Markets) on page 35 and 2.1.2 (Outlook and Ebitda forecast for 2015) on page 48.

Lafarge estimates that cement demand in its markets will grow between 2% and 5% in 2015 versus 2014 with an overall stabilization of Europe at low levels, a progressive recovery in North America, and continuing growth in most emerging markets.

Cost inflation should continue at a similar pace to 2014, which should result in higher prices overall.

Lafarge is pursuing its strategy to extract the full value of its existing assets, notably through programs to reduce costs and increase the industrial performance, while continuing to reduce its debt level.

While we believe that these actions, combined with a well-balanced geographic spread of high quality assets, should enable Lafarge to accelerate its organic growth, in particular through the development of innovative systems and solutions for its clients, tougher financial conditions could continue to negatively affect the Group's business operations and financial results.

Were the foregoing risks to materialize in the future in a significant and lasting manner, they could have a negative impact on the recoverable value of some of Lafarge's assets.

See Risk on Acquisition-related accounting issues on page 178 and Note 10 (Goodwill) to the consolidated financial statements on page F35 for further information on principal goodwill and on the analysis of the sensitivity of recoverable amounts of our primary assets and impairment losses.

See Section 2.3 (Result of operations for the years ended December 31, 2014 and 2013) on page 54 for more information by geographical area.

ENERGY COSTS AND AVAILABILITY

Lafarge's operations consume significant amounts of energy (electricity, coal, petcoke, natural gas and fuel oil), the cost of which can fluctuate significantly, largely as a result of market conditions and other factors beyond Lafarge's control.

In the competitive environment prevailing in Lafarge's markets, selling prices follow changes in supply and demand.

Energy cost inflation has been a key factor in margin erosion over the past few years, in particular in emerging markets, which also have structural cost inflation reflecting rapid increases in wages, production and logistics costs.

Lafarge therefore pays close attention to how the impact of energy price is passed to the selling prices. It is nevertheless very difficult to provide meaningful data on the impact of energy price variations on selling prices.

Energy prices are regulated in some countries where Lafarge operates. In addition, the availability of certain types of energy may change in some countries.

While Lafarge takes a number of steps to manage energy cost risk, it cannot be sure that they will be fully effective. For example:

- Lafarge occasionally enters into medium-term supply contracts. In addition, the centralized purchasing organization at Group level gives more leverage with suppliers, enabling Lafarge to obtain the most competitive terms and conditions. Nonetheless, if supply contracts contain indexation clauses, they will not always protect Lafarge from fluctuations in energy prices. Similarly, fixed price contracts signed when prices are high prevent the purchaser from benefitting from possible subsequent price decreases;
- Lafarge also uses derivative instruments, mainly swaps and options, on organized markets or on the over-the-counter (OTC) market, to manage its exposure to risk related to energy cost fluctuations; and
- Lafarge diversifies its fuel sources, including alternative fuels such as biomass, used oil, recycled tires and other recycled materials or industrial by-products, which has resulted in less vulnerability to fossil fuel price increases and permits a reduction energy costs.

Although these measures aim to reduce negative effects, they may not be sufficient to protect Lafarge from its exposure to the volatility of energy prices or availability of energy. As an example, in 2014, in Egypt, cement sales volumes were again affected by gas shortages.

As a result, material increases or changes in energy and fuel costs have affected, and may continue to affect, the Group's financial results.

See Sections 5.1.1 (b) (Financial and market risks) on page 179 and Section 1.3.1 (b) (Production process) on page 35 for further information on the content and production of cement.

See also Section 2.3 (Results of operations for the years ended December 31, 2014 and 2013) on page 54 for the review of operations by geographical area.

RISKS RELATED TO SOURCING AND ACCESS TO RAW MATERIALS

Quarries, permits and reserves

Access to the raw materials necessary for operations (limestone, gypsum, aggregates and other raw materials) is essential for sustainability and profitability of the Group's operations and is a key consideration in investments.

Failure to obtain, maintain or renew these land and mining rights as well as any other permits, licenses, rights and titles necessary to carry out its operations or expropriation as a result of local legislative, regulatory or political action could have a negative impact on the Group's results or on the development of its activities.

Lafarge actively manages the quarries and production plants that it operates or expects to operate, and the related permits, licenses, rights and titles, in order to secure its operations in the long-term.

Lafarge usually owns or holds long-term land and mining rights on the quarries of limestone, gypsum, aggregate and other raw materials essential to its operations. This factor is taken into account at the time of its investments.

See Section 1.3.4 (Mineral reserves and quarries) on page 43 for further information.

Other raw materials

In addition, Lafarge increasingly uses certain by-products of industrial processes, such as synthetic gypsum, slag and fly ash, produced by third parties as raw materials.

In general, Lafarge is not dependent on its raw materials suppliers and tries to secure the supply of the required materials through long-term renewable contracts and framework agreements, which ensure better management of supplies. Short-term contracts may however be entered into in certain countries.

Should existing suppliers cease operations or reduce or eliminate production of these by-products, sourcing costs for these materials could increase significantly or require Lafarge to find alternative sources for these materials.

For further information on quarries, see Sections 1.3.1 (b) (Production process) on page 35 and 1.3.4 (Mineral reserves and quarries) on page 43, and Section 5.1.2 (b) (Risk management systems) on page 183 for more information on how Lafarge manages this risk.

RISKS RELATED TO COMPETITION AND COMPETITION LAW INVESTIGATIONS[1]

Competition is strong in the markets in which Lafarge operates. Competition, whether from established market participants or new entrants could cause Lafarge to lose market shares, increase costs or reduce pricing and margins, any one of which could have a material adverse effect on business, financial condition, results of operations or prospects.

This risk is partially compensated by certain specificities of Lafarge's markets which are not limited to trade-off between price and volume.

The cement industry is characterized by its high capital intensity, which may limit the number of potential players likely in certain markets due to the significant financial investments required to offer attractive products and services.

A greenfield integrated cement plant represents an average investment of several hundred million euros, although in most markets it is possible to produce and sell cement without massive industrial plants (with cement grinding plants or importation terminals.

Furthermore, restrictive environment regulations for obtaining licenses to operate in some of the countries where Lafarge is present another specificity of our markets. Marketing and innovation actions enable Lafarge to develop new products, services and solutions which are also differentiating factors.

Finally, the significant impact of transport costs and the low technical obsolescence of industrial equipment, lead Lafarge to establish market positions which are both close to the customers and sustainable for the long term.

Given Lafarge's worldwide presence and the fact that it sometimes operates in markets in which the concentration of market participants is regarded as high by certain authorities, Lafarge is currently, or could be in the future, subject to investigations and civil or criminal proceedings by competition authorities for alleged infringement of antitrust laws or enjoying excess market power even without any finding of competition law infringement. These investigations and proceedings could result in fines, civil or criminal liability, or forced divestments, which may have a material adverse effect on the image, financial condition and results of operations of some of the Group's entities, particularly given the level of fines imposed by European authorities in recent cases.

In November 2008, the major European cement companies, including Lafarge, were placed under investigation by the European Commission for alleged anti-competitive practices. In December 2010, the European Commission launched an official investigation, while indicating that this only meant that the Commission intends to pursue this as a matter of priority but does not imply that the Commission has conclusive evidence of any infringement. At this stage, given the nature of the issues involved and the inherent uncertainty of such litigation and investigation, Lafarge is still not in a position to predict the outcome of this long-lasting investigation.

Lafarge is always committed to the preservation of vigorous, healthy and fair competition as well as complying with relevant antitrust laws in all countries in which it operates.

(1) *G4-DMA: anti-competitive behavior.*

In line with this objective, Lafarge has established a rigorous competition policy and a competition compliance program (CCP) described in Section 5.1.2 (b) (Risk management systems) intended to provide the Country managements with appropriate guidance to ensure compliance with the Group CCP and the applicable competition laws.

Nonetheless, these procedures cannot provide absolute assurance against the risks relating to these issues.

See Section 1.3 (Overview of operations) on page 32 for a description of competitors in each of Lafarge's markets.

See Note 29 (Legal and arbitration proceedings) to the consolidated financial statements on page F72 for further information on material legal and arbitration proceedings related to competition issues.

See also Section 5.1.2 (b) (Risk management systems) on page 183 for more information on the competition policy of Lafarge and management of this risk.

INDUSTRIAL RISKS RELATED TO SAFETY AND THE ENVIRONMENT

Although Lafarge's industrial processes are strictly controlled and its products, namely Cement, Aggregates & Concrete, are not usually considered to be hazardous materials, its operations are subject to environmental and safety laws and regulations, as interpreted by relevant agencies and courts, which impose increasingly stringent obligations, restrictions and protective measures regarding, among other things, land and product use, remediation, air emissions, noise, waste and water, health and safety.

The costs of complying with these laws and regulations could increase in some jurisdictions, particularly as a result of new or more stringent regulations or changes in their interpretation or implementation.

In addition, non-compliance with these regulations could result in sanctions, including monetary fines, against Lafarge.

The risks faced by Lafarge regarding the environment can be illustrated by the following example related to its operations in Germany. This country recently enacted legislation, effective 2018, that will require NOx emissions from the cement industry to be reduced to very low levels which typically cannot be achieved without the installation of capital intensive specialized air pollution control equipment.

Another example, which is typical of the global trend to reduce anthropogenic emissions, is the recently concluded multi-lateral Minimata Convention, a legally binding agreement to reduce releases of mercury to the environment. This agreement, negotiated under the auspices of the United Nations Environment Programme, governs the emissions of mercury and the impact of industry on the environment. Although Lafarge is active in developing solutions in anticipation of such changes, at this stage, it is still difficult to foresee the impact of such potential changes on its results.

Lafarge has implemented internal standards at Group level whereby environmental risks are taken into account in the management cycle and has developed a unified and consistent reporting system in each Division to measure and control environmental performances[(1)]. Nonetheless, these procedures cannot provide absolute assurance against risks relating to these issues.

See Section 4.2 (Managing our footprint) on page 137 for more information on the impact of environmental matters on operations, environmental policy and Lafarge's various environmental initiatives.

In terms of security risks, Lafarge's main objective is to reduce lost time injuries and fatalities and is implementing a risk mitigation strategy, which is further described in Section 4.3.1 (Health and Safety) on page 144 and Section 5.1.2 (b) (Risk management systems) on page 183.

For all industrial risks, see Section 5.1.2 (b) (Risk management systems) on page 183 for more information on how the Group manages these risks.

See also Note 2.3 (Use of estimates and judgment) on page F16 and Note 24 (Provisions) to the consolidated financial statements on page F59.

RISKS RELATED TO LITIGATION[(2)]

Lafarge has worldwide operations, and subsidiaries are required to comply with applicable national and local laws and regulations, which vary from one country to another. As part of its operations, Lafarge is, or could be in the future, involved in various claims, as well as legal, administrative and arbitration proceedings and class action suits. New proceedings may be initiated against the Group's entities in the future.

In connection with acquisitions made in past years, Lafarge or its subsidiaries are or may be faced with various demands or legal actions, including those from minority shareholders.

In connection with disposals made in the past years, Lafarge and its subsidiaries provided customary warranties notably related to accounting, tax, employees, product quality, litigation, competition, and environmental matters.

Lafarge and its subsidiaries received, or may receive in the future, notice of claims arising from said warranties.

See Note 29 (Legal and arbitration proceedings) to the consolidated financial statements on page F72 for more information on Lafarge's material legal and arbitration proceedings.

RISKS RELATED TO THE GROUP STRUCTURE

Financial issues

Lafarge S.A. is a holding company with no significant assets other than direct and indirect interests in its numerous subsidiaries.

A number of subsidiaries are located in countries that may impose regulations restricting the payment of dividends outside the country through exchange control regulations.

To the best of our knowledge, aside from North Korea, there are currently no countries in which Lafarge operates that prohibit the payment of dividends.

Furthermore, the transfer of dividends and other income from the Group subsidiaries may be limited by various credit or other contractual arrangements and/or tax constraints, which could make such payments difficult or costly.

Should such regulations, arrangements and constraints restricting the payment of dividends be significantly increased in the future simultaneously in a large number of countries where Lafarge operates, it might impair its ability to make shareholder dividend distributions.

See Section 5.1.2 (b) (Risk management systems) on page 183 for more information on how the Group manages these risks.

(1) *G4-14.*
(2) *G4-DMA: compliance.*

Tax issues

As an international group doing business in many countries, Lafarge is subject to multiple tax laws and various regulatory requirements, which affect its commercial, financial and tax objectives. Because tax laws and regulations in effect in the various countries where Lafarge does business do not always provide clear or definitive guidelines, Lafarge's structure, the conduct of its business and the relevant tax regime are based on its interpretation of applicable tax laws and regulations. Lafarge cannot guarantee that these interpretations will not be questioned by the tax authorities, or that applicable laws and regulations in certain of these countries will not change, be interpreted differently or be applied inconsistently. More generally, any violation of tax laws and regulations in the countries where Lafarge or its subsidiaries are located or do business could lead to tax assessments or the payment of late fees, interest, fines and penalties. This could have a negative impact on the Group's effective tax rate, cash flow and results of operations.

Lafarge's subsidiaries are subject to tax audits by the tax authorities in the respective jurisdictions in which they are located.

Various tax authorities have proposed or levied assessments for additional taxes for prior years.

Although we believe that the settlement of any or all of these assessments would not have a material adverse effect on its results or financial position, Lafarge is not in a position to predict the possible outcome of these proceedings.

See Note 22 (e) (Tax audits) to the consolidated financial statements on page F53.

Risks related to acquisition-related accounting issues

As a result of significant acquisitions, many of its tangible and intangible assets are recorded in the consolidated statement of financial position of Lafarge at amounts based on their fair value as of the acquisition date. Lafarge has also recorded significant goodwill of 11.4 billion euros on the consolidated statement of financial position as of December 31, 2014.

In accordance with IFRS, Lafarge tests non-current assets, including goodwill, for impairment, as described in Notes 2.12 (Impairment of non-current assets) on page F21 and Note 10 (Goodwill) to the consolidated financial statements on page F35 for goodwill. In particular, a goodwill impairment test is performed at least annually and a specific analysis is performed at the end of each quarter in case of impairment indications.

The key assumptions used to perform impairment tests take into consideration the market level and forecasts on the evolution of prices and costs. These assumptions, which are further described in Note 10 (Goodwill) on page F35 to the consolidated financial statements, reflect the specific environments in each country of operation.

These assumptions do not, however, anticipate any major disruption in the economical or geopolitical environment.

If these assumptions prove incorrect, or must be revised to reflect worsening conditions, this could have a material adverse effect on Lafarge's results or financial position.

Depending on the evolution of the recoverable value of cash generating units (CGUs) or groups of CGUs, which is mostly related to future market conditions, further impairment charges might be necessary and could have a significant impact on results.

For example, in 2014, 385 million euros of impairments were recorded in the fourth quarter 2014, notably to reflect the current situation in Syria and the revision of the discount rate used for the valuation of the assets in Iraq.

See Note 10 (Goodwill) to the consolidated financial statements on page F35 for further information on impairment losses recorded and the analysis of the sensitivity of recoverable amounts of significant assets.

Minority shareholders and partners

Lafarge conducts its business through subsidiaries. In some instances, third-party shareholders hold minority interests in these subsidiaries. While this is generally considered positive as it may result in partnership or investment agreements, various disadvantages may result from there being minority shareholders whose interests may not always be aligned with the interests of Lafarge.

Some of these disadvantages may, among others, result in the difficulty or inability to implement organizational efficiencies and transfer cash and assets from one subsidiary to another in order to allocate assets most effectively.

See Section 6.2.8 (Intra-Group Relations) on page 209 for further information on the relationship between the Group and minority shareholders within subsidiaries and Section 5.1.2 (b) (Risk management systems) on page 183 for more information on how Lafarge manages these risks.

Risks related to the intended merger between Lafarge and Holcim

On April 7, 2014, Lafarge announced that it intends to enter into a merger of equals with Holcim to create LafargeHolcim (the *Project*). Information on the Project is available on the Lafarge website (http://lafargeholcim.projet-fusion.com/en/download/press-release-en.pdf).

This Project is notably conditional upon, among other things, approval of the shareholders of Holcim Ltd, sufficient participation of the shareholders of Lafarge in the exchange offer to be proposed as part of the implementation of the Project, and obtaining certain regulatory and other customary authorizations that have not yet been obtained at the date of filing of this Registration Document.

The Project is intended to deliver growth prospects and to enable LafargeHolcim to realize synergies. However the expected growth opportunities, cost savings and synergies might not develop and other assumptions on which the Project was based may prove to be incorrect.

As described above, the Project is conditional on a number of key requirements being met, and failure to meet these could result in the Project not being completed or not being completed on the target date. Lafarge may also face challenges, such as the diversion of management attention from on-going business concerns.

Following the announcement of the Project, rating agencies have issued the following updates: Standard & Poor's Ratings Services ("S&P") has placed Lafarge's BB+ rating under positive outlook, and Moody's Investors Services ("Moody's") has put Lafarge's Ba1 rating under review for upgrade. S&P has also stated that it would most likely revise the outlook to stable if the Project did not close, while Moody's has stated that negative rating pressure would build if the Project could not conclude, and, if at the same time the Lafarge's standalone metrics, such as RCF/net debt have not improved to around 15% in 2014.

In the context of the merger project with Holcim, the Group identified the main obligations related to mandatory public tenders, clauses of change of control or other specific legal, regulatory or contractual provisions such as financial instruments, tax, supply agreements, agreements with partners or employee benefit schemes, including pensions that could have an impact on the completion of the merger. *For further information on this item, see Note 3.1.2 (change of control and non-compete clauses) to the consolidated financial statements on page* F27 for *further information.*

This risk factor does not constitute an offer or the solicitation of an offer to exchange any shares of Lafarge.

See Section 1.2.7 (LafargeHolcim, a project for a merger of equals to create the most advanced player in the building materials sector) on page 29 and Note 3.1 (Merger project between Lafarge and Holcim) to the consolidated financial statements on page F27 *for further information on the merger project.*

b) Financial and market risks

FINANCIAL RISKS

Indebtedness and credit ratings

Lafarge is exposed to different market risks, which could have a material adverse effect on its financial condition or on its ability to meet its financial commitments. In particular, the access of Lafarge to global sources of financing to cover our financing needs or repayment of our debt could be impaired by the deterioration of financial markets or downgrading of our credit rating. On December 31, 2014, the net debt (which includes put options on shares of non-controlling interests and derivative instruments) amounted to 9,310 million euros, and the gross debt amounted to 11,410 million euros. 2,045 million euros of the gross debt as of December 31, 2014 was due in one year or less. As part of its strict financial policies, Lafarge continues to implement actions to improve its financial structure. However, no assurance can be given that Lafarge will be able to implement these measures effectively or that further measures will not be required in the future.

The financing contracts of Lafarge S.A. and its subsidiaries contain various commitments.

Some of Lafarge's subsidiaries are required to comply with certain financial covenants and ratios. At the end of 2014, these agreements represented approximately 1% of the total Group gross debt excluding put options on shares of non-controlling interests. The main covenants are described in Note 25 (e) (Particular clauses in financing contracts) to the consolidated financial statements on page F62.

The Lafarge S.A. agreements and those of its subsidiaries also include cross-acceleration clauses. If Lafarge S.A., or under certain conditions, its material subsidiaries, fail to comply with their covenants, then the lenders could declare default and accelerate repayment of a significant part of the Group debt.

If the construction sector continues to deteriorate economically, the reduction of the operating cash flows could make it necessary to obtain additional financing. Changing conditions in the credit markets and the level of the outstanding debt of Lafarge could impair its ability to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes, or make access to this financing more expensive than anticipated. This could result in greater vulnerability, in particular by limiting its flexibility to adjust to changing market conditions or withstand competitive pressures.

The financial costs and the ability to raise new financing could be significantly impacted by the level of the credit ratings. The rating agencies could downgrade the ratings either due to factors specific to the Group, or due to a prolonged cyclical downturn in the construction sector. On the filing date of this Registration Document, the Lafarge long-term corporate credit rating is BB+ with a positive outlook according to Standard & Poor's Rating Services (reminder: downgrading from BBB- to BB+ with a stable outlook on March 17, 2011, and from stable to negative on March 13, 2012 then adjustment of the outlook from negative to stable on November 12, 2013 and last, adjustment of the outlook from stable to positive on April 8, 2014, following the announcement of the merger project with Swiss company Holcim Ltd). It is Ba1 under review for upgrade according to the rating agency Moody's (reminder: downgrading from Baa3 to Ba1 on August 5, 2011, then adjustment of the outlook from stable to negative on August 12, 2013 and from negative to "review for upgrade" following the announcement of the merger project with Swiss company Holcim Ltd). Such downgrading leads to additional net interest expense of approximately 56 million euros in 2014, mainly due to the "step up" clause included in bonds issued by Lafarge between 2009 and 2011.

Any decline in our ratings could have a negative impact on the financial condition, the results, and the ability of Lafarge to refinance the existing debt.

See Section 2.4 (Liquidity and Capital Resources) on page 62, Notes 8 (Financial (expenses) income) on page F34 and Note 25 (Financial Debt) on page F59 to the consolidated financial statements for more information.

See also Note 3.1 (Merger project between Lafarge and Holcim) to the consolidated financial statements on page F27 for more information on the impact of the merger project.

Liquidity risk

Lafarge is exposed to a risk of insufficient financial resources, which could impact its ability to continue its operations. The Group implements policies to limit its exposure to liquidity risk. As a result of these policies, a significant portion of its debt has a medium or long-term maturity. Lafarge also maintains committed credit lines with various banks, which are primarily used as a back-up for the debt maturing within one year as well as for the Group's short-term financing, and which contribute to the Group's liquidity. Based on our current financial outlook, we believe that we have sufficient resources for our ongoing operations in both the short term and the long-term. Inability to maintain sufficient liquidity could have a material adverse impact on its financial condition, results and the ability of Lafarge to refinance existing debt.

See Section 2.4 (Liquidity and Capital Resources) on page 62 and Notes 25 (b) (Analysis of debt excluding put options on shares of non-controlling interests by maturity) on page F58 and 26 (g) (Liquidity risk) on page F70 to the consolidated financial statements for more information on liquidity risk and liquidity risk management.

See also Note 3.1 (Merger project between Lafarge and Holcim) to the consolidated financial statements on page F27 for more information on the impact of the merger project.

Pension plans[(1)]

Lafarge has obligations under defined benefit pension plans, mainly in the United Kingdom and North America. Lafarge's funding obligations depend upon future asset performance, the level of interest rates used to measure future liabilities, actuarial assumptions and experience, benefit plan changes, and government regulations. Due to the large number of variables that determine pension funding requirements, which are difficult to predict, as well as any legislative action, future cash funding requirements for our pension plans and other post-employment benefit plans could be significantly higher than the amounts estimated as at December 31, 2014. If so, these funding requirements could have a material adverse effect on the Group's financial situation or results.

See Section 2.2 (Accounting policies and definitions) on page 50 and Note 23 (Pension plans, end of service benefits and other post-employment benefits) to the consolidated financial statements on page F53 for more information on pension plans.

See Section 5.1.2 (b) (Risk management systems) on page 183 for more information on how Lafarge manages these risks.

See also Note 3.1 (Merger project between Lafarge and Holcim) to the consolidated financial statements on page F27 for more information on the impact of the merger project.

(1) *G4-EC3.*

MARKET RISKS

In this Section, debt figures are presented excluding put options granted to non-controlling interests.

Currency exchange risks and exchange rate sensitivity

Currency exchange risk

Lafarge and its subsidiaries are subject to foreign exchange risk as a result of the purchase and sale transactions in currencies other than their functional currencies.

With regard to transaction-based foreign currency exposures, the Group policy is to hedge all material foreign currency exposures through derivative instruments no later than when a firm commitment is entered into or becomes known. These derivative instruments are generally limited to forward contracts and standard foreign currency options, with terms of generally less than one year. From time to time, Lafarge also hedges future cash flows in foreign currencies when such flows become highly probable. Lafarge does not enter into foreign currency exchange contracts other than for hedging purposes.

Each subsidiary is responsible for managing the foreign exchange positions arising as a result of commercial and financial transactions performed in currencies other than its domestic currency, with the support of the corporate Treasury department. Exposures are centralized and hedged with the corporate Treasury department using foreign currency derivative instruments when local regulations allow it. Otherwise, exposures are hedged with local banks. Lafarge S.A. attempts to reduce the overall exposure by netting purchases and sales in each currency on a global basis, where feasible and then covers its net position in the market.

As far as financing is concerned, the Group's general policy is for subsidiaries to borrow and invest excess cash in the same currency as their functional currency when possible, except for subsidiaries operating in emerging markets, where "structural" cash surpluses are invested, whenever possible, in US dollars or in euros. A portion of Lafarge's financing is denominated in US dollars and British pounds, in particular as a result of its operations located in these countries. Lastly, part of debt in foreign currencies was initially raised in euros at the parent company level then converted into foreign currencies through currency swaps.

Lafarge holds assets, earns income and incurs expenses and liabilities directly and through its subsidiaries in a variety of currencies. Consolidated financial statements are presented in euros, therefore, the assets, liabilities, income and expenses in other currencies are translated into euros at the closing exchange rates.

See Note 25 (Financial Debt) on page F59 and Note 26 (Financial instruments) on page F63 to the consolidated financial statements for more information on debt and financial instruments. Additional information on the Group policies in place to mitigate this risk can be found in Section 5.1.2 (Risk management) on page 183.

Exchange rate sensitivity

If the euro increases in value against a currency, the value in euros of assets, liabilities, income and expenses originally recorded in the other currency will decrease. Conversely, if the euro decreases in value against a currency, the value in euros of assets, liabilities, income, and expenses originally recorded in that other currency will increase. Consequently, increases and decreases in the value of the euro may affect the value in euros of Lafarge's non-euro assets, liabilities, income, and expenses, even though the value of these items has not changed in their original currency.

In 2014, Lafarge generated approximately 83% of its sales in currencies other than the euro, with approximately 27% denominated in US or Canadian dollars. As a result, +/-5% change in the US dollar/euro exchange rate and in the Canadian dollar/euro exchange rate would have an impact on Lafarge's sales of approximately +/-174 million euros.

In addition, on December 31, 2014, before currency swaps, 18% of total debt was denominated in US dollars and 6% in British pounds. After taking into account the swaps, the US dollar denominated debt amounted to 12% of total debt, while debt denominated in British pounds represented 6% of the total. A +/-5% fluctuation in the US dollar/euro and in the British pound/euro exchange rate would have an estimated maximum impact of -/+91 million euros on Lafarge's net debt exposed to these two foreign currencies as of December 31, 2014.

The table below provides information about Lafarge's debt and foreign exchange derivative financial instruments that are sensitive to exchange rates. The table shows:

- for debt obligations, the cash flows in foreign currencies by expected maturity dates and before swaps;
- for foreign exchange forward agreements, the notional amounts by contractual maturity dates. These notional amounts are generally used to calculate the contractual payments to be exchanged under the contract.

MATURITIES OF NOTIONAL CONTRACT VALUES ON DECEMBER 31, 2014

(million euros)	2015	2016	2017	2018	2019	> 5 years	Total	Fair value
DEBT IN FOREIGN CURRENCIES(1)								
US dollar	587	673	6	24	-	741	2,031	2,299
British pound	4	-	706	-	-	-	710	816
Other currencies	338	97	46	12	9	16	518	519
TOTAL	**929**	**770**	**758**	**36**	**9**	**757**	**3,259**	**3,634**
FOREIGN EXCHANGE DERIVATIVES(2)								
Forward contract purchases and currency swaps								
US dollar	961	-	-	-	-	-	961	26
British pound	148	-	-	-	-	-	148	2
Other currencies	76	-	-	-	-	-	76	(2)
TOTAL	**1,185**	**-**	**-**	**-**	**-**	**-**	**1,185**	**26**
Forward contract sales and currency swaps								
US dollar	353	1	-	-	-	-	354	8
British pound	36	-	-	-	-	-	36	1
Other currencies	534	-	-	-	-	-	534	(95)
TOTAL	**923**	**1**	**-**	**-**	**-**	**-**	**924**	**(86)**

(1) *The fair value of long-term financial debt was determined by estimating future cash flows on a borrowing-by-borrowing basis, and discounting these future cash flows using an interest rate corresponding to the Group's borrowing rate at year-end for similar types of debt arrangements. Market price is used to determine the fair value of publicly traded instruments.*

(2) *The fair value of foreign currency derivative instruments has been calculated using market prices that the Group would pay or receive to settle the related agreements.*

Based on outstanding hedging instruments on December 31, 2014, a +/-5% shift in exchange rates would have an estimated maximum impact of respectively +/-3 million euros on equity in respect of foreign currency derivatives designated as hedging instruments in a cash flow hedge relationship. The net income statement impact of the same exchange rate fluctuations on the Group's foreign exchange derivative instruments is -/+1 million euros. Fair values are calculated with internal models that rely on market observable data (currency spot rate, forward rate, currency rate curves, etc.).

Interest rate risks and sensitivity

Interest rate risks

Lafarge is exposed to interest-rate risk through debt and cash. Its interest rate exposure can be sub-divided among the following risks:

- price risk for fixed-rate financial assets and liabilities.

  By contracting a fixed-rate liability, for example, Lafarge is exposed to an opportunity cost in the event of a fall in interest rates. Changes in interest rates impact the market value of fixed-rate assets and liabilities, leaving the associated financial income or expense unchanged;
- cash flow risk for floating-rate assets and liabilities.

  Changes in interest rates have little impact on the market value of floating-rate assets and liabilities, but directly influence the future income or expense flows of the Group.

  In accordance with its policy, Lafarge seeks to manage these two types of risks, including the use of interest-rate swaps and forward rate agreements. The Corporate Treasury department manages Lafarge's financing and interest rate risk exposure in accordance with the defined rules in order to keep a balance between fixed rate and floating rate exposure.

Although interest rate exposure is managed as described above, it cannot fully protect Lafarge from interest rate risks.

See Note 25 (Financial Debt) on page F59 and Note 26 (Financial instruments) on page F63 to the consolidated financial statements for more information. Additional information on the Group policies in place to mitigate this risk can be found in Section 5.1.2 (Risk management) on page 183.

Interest rate sensitivity

Before taking into account interest rate swaps, on December 31, 2014, 88% of the Group total debt carried a fixed rate. After taking into account these swaps, the portion of fixed-rate debt amounted to 71%.

A +/-1% change in short-term interest rates calculated on the net floating rate debt, taking into account derivative instruments would have a maximum impact on the 2014 consolidated income before tax that is not significant.

The table below provides information about interest-rate derivative instruments and debt obligations that are sensitive to changes in interest rates and presents:

- for debt obligations, the principal cash flows by expected maturity dates and related weighted average interest rates before swaps;
- for interest-rate derivative instruments, notional amounts by contractual maturity dates and related weighted average interest rates. Notional amounts are used to calculate the contractual payments to be exchanged under the contract. Weighted average floating rates are based on effective rates at year-end.

MATURITIES OF NOTIONAL CONTRACT VALUES AT DECEMBER 31, 2014

(million euros)	Average rate (%)	2015 H1	2015 H2	2016	2017	2018	2019	> 5 years	Total	Fair value
DEBT[1]										
Long-term debt[2]	6.3	915	490	2,056	1,918	2,065	1,331	1,994	10,769	12,159
Fixed-rate portion	6.6	873	457	2,012	1,707	1,707	1,256	1,993	10,005	11,392
Floating-rate portion	2.5	42	33	44	211	358	75	1	764	767
Short-term debt	5.6	563	78	-	-	-	-	-	641	641
INTEREST-RATE DERIVATIVES[3]										
Pay fixed										
Euro	-	-	-	-	-	-	-	-	-	-
Other currencies	11.8	-	-	-	45	-	-	-	45	8
Pay floating										
Euro	0.2	-	-	500	1,000	500	-	-	2,000	42
Other currencies	-	-	-	-	-	-	-	-	-	-
Other interest-rate derivatives										
Euro	-	-	-	-	-	-	-	-	-	-
Other currencies	-	-	-	-	-	-	-	-	-	-

(1) *The fair value of long-term financial debt was determined by estimating future cash flows on a borrowing-by-borrowing basis, and discounting these future cash flows using an interest rate corresponding to the Group's borrowing rate at year-end for similar types of debt arrangements.*

(2) *Including the current portion of long-term debt.*

(3) *The fair value of foreign interest rate derivative instruments has been calculated using market prices that the Group would pay or receive to settle the related agreements.*

Based on outstanding hedging instruments at December 31, 2014, a +/-100 basis point shift in yield curves would have a non significant estimated impact on equity in respect of interest-rate derivatives designated as hedging instruments in a cash flow hedging relationship.

The impact on the income statement related to interest-rate derivative instruments designated as hedging instruments in a fair value hedging relationship is netted off by the revaluation of the underlying debt.

Furthermore, the income statement impact of the same yield curve fluctuations on interest-rate derivative instruments not designated as hedges for accounting purposes, would have a non significant impact in income. Fair values are calculated with internal models that rely on observable market data (interest rates curves, "zero coupon" curves, etc.).

Commodity price fluctuation risk and sensitivity

Lafarge is also subject to commodity price fluctuation risk mainly in the power, natural gas, petcoke, coal, fuel oil and also maritime freight markets.

Exposure to fluctuations in commodity prices is limited by increased use of alternative fuels and renewable energies.

From time to time, and if a market exists, commodity exposures are hedged through derivative instruments at the latest when a firm commitment is entered into or known, or where future cash flows are highly probable. These derivative instruments are generally limited to swaps and standard options, with maturities and terms adaptable on a case by case basis.

No derivative instrument is entered into other than for hedging purposes.

Based on outstanding hedging instruments on December 31, 2014, a +/-20% change in the commodity indexes against which Lafarge is hedged, i.e. mainly power, oil products, coal and natural gas, would have an estimated maximum impact of +/-24 million euros respectively on equity in respect of commodity derivative instruments designated as hedging instruments in a cash flow hedging relationship. The net income statement impact of the same commodity index fluctuations on the Group's commodity derivative instruments is not material. Fair values are calculated with internal models that rely on observable market data (raw materials spot and forward rates, and so on.).

See Note 26 (e) (Commodity risk) to the consolidated financial statements on page F67 for more information on financial instruments and commodity risk.

Counterparty risk for financial operations
Lafarge is exposed to credit risk in the event of default by a counterparty (mainly banks and other financial institutions). The exposure to counterparty risks is limited by rigorously selecting its counterparties, by regularly monitoring the ratings assigned by credit rating agencies, and by taking into account the nature and maturity of its exposed transactions, according to internal Group policies.

Counterparty limits are defined and regularly reviewed. We believe our counterparty management risk is cautious and in line with market practices but this may not prevent us from being significantly impacted in case of systemic crisis.

For further information on exposure to credit and counterparty risks and management thereof, see Note 26 (Financial instruments) to consolidated financial statements on page F63 as well as Section 5.1.3 (Insurance and risk coverage) on page 186.

Listed shares risk

Quoted shares
Lafarge does not hold any non-consolidated investments in listed companies which could have a significant impact on the profit or financial situation of the Group.

The Group's principal defined benefits pension plans, which are situated in the United Kingdom and in North America, are managed by pension funds that invest the main part of their assets in listed securities. The fair value of these assets as well the split of the investments between stocks, bonds and others can be found in Note 23 (Pension plans, end of service benefits and other post-employment benefits) to consolidated financial statements on page F53.

In the United Kingdom, the pension assets are principally administered through a pension fund, governed by an independent Board of Trustees.

See Pension Plans risk on page 179.

Treasury shares
On December 31, 2014 Lafarge held 70,538 treasury shares. These shares are assigned to cover stock option or performance share grants. Lafarge considers the risk exposure with respect to treasury shares to be non significant.

5.1.2 RISK MANAGEMENT

In order to ensure the sustainability of its business development and to meet its targets, the Group makes ongoing efforts to prevent and control the risks to which it is exposed.

Risk monitoring requires the establishment of standard procedures to identify and analyze the main risks to which the Group is exposed and continually deploying and managing risk management systems designed to eliminate or reduce the probability that risks will arise and to limit their impact.

a) Risk identification and analysis

Risk identification and analysis are structured around several coordinated approaches conducted within the Group under the responsibility of the Group Executive Committee[1].

Group risk mapping is regularly undertaken with the help of the Group Audit and Group Internal Control departments. The main areas identified are the subject of in-depth analysis and action plans are drawn up and gradually implemented. An update to these action plans was presented to the Audit Comittee in 2014.

A detailed update of the Group risk mapping was carried out at the end of 2013 and beginning of 2014 with assistance from the Group Audit and Group Internal Control departments. The outcome of this analysis was presented to the Audit Committee in 2014. The main areas identified have been subject to in-depth analysis and the development of action plans which are progressively implemented[2].

As part of the Group's new management cycle, strategic reviews of all Group countries are conducted periodically by the heads of the countries and the Group in the context of the Country ambition plans. These strategic reviews include an analysis of the main risks to which the countries are exposed.

The Country CEOs and CFOs, the Group Executive Vice-Presidents in charge of operations and the heads of corporate functions are required to formally report the list of risks and uncertainties that could have a potential impact on the financial statements. This is part of the annual "certification" process. The certification letters are consolidated by the Group Internal Control department and a summary is validated by the Chairman and Chief Executive Officier and the Executive Vice-President Finance, and presented to the Audit Committee.

Every year, an analysis of risks related to the reliability of financial information, asset protection, and fraud detection and prevention is performed at the Group level by the Internal Control department, in conjunction with the relevant functional departments. This analysis serves as a basis for updating the Group's internal control standards[3], which are deployed across the Group's countries and within the Group's functional departments *(see Section 5.2.1 (b) (Procedures related to "internal control over financial reporting") for more information on* page 189) .

The annual audit plan drawn up by the Group Internal Audit department and approved by the Audit Committee takes into account the various analyses described above. In preparing this plan, Group Internal Audit also conducts a large number of interviews and corroborates or supplements these analyses. Implementation of this plan and the summary of work presented to the Group Executive Committee and Audit Committee lead to more in-depth analyses in certain areas and contribute to the ongoing risk identification process.

b) Risk management systems

An active risk management plan based on the risk identification and analysis work described above has been in place within the Group for several years. It is continually adjusted in response to new issues and risks to which the Group is exposed.

GENERAL RISK MANAGEMENT FRAMEWORK AND CODE OF BUSINESS CONDUCT

Responsibility and principles underlying risk management
Generally speaking, the heads of the Countries and Group functional departments are responsible for defining and/or applying the measures required to reduce the Group's risk exposure.

(1) *G4-EC2.*
(2) *G4-50.*
(3) *Group "Internal Control Standards" is the set of key controls covering the main risks pertaining to processes in place for the preparation of financial reporting.*

Risk management is based primarily on certain defining principles, such as:

- the Principles of Action, which define the Group's commitments to customers, employees, shareholders, and other stakeholders, and define what the "Lafarge Way" is, i.e. the Group's management philosophy;
- the principles of organization, which define responsibilities at all levels within the organization and the various components of the management cycle.

These principles are communicated on an ongoing basis and are a major component of the Group's preventive management of main risks by defining the Group's fundamental values and clearly identifying responsibilities.

In addition, the Group and each functional department have defined a set of complementary policies and rules. The functional managers, their staff, and the Country managers are in charge of disseminating and applying these policies and rules to ensure that practices are consistent at each level of the organization. All these rules have been gradually assembled to facilitate their implementation.

Lafarge Code of Business Conduct[1]

As a core part of its policies, the Group adopted a Code of Business Conduct that sets out the principles of conduct that each individual is to adopt in business situations. The Code of Business Conduct is essential in preventing the main risks faced by the Group, by setting out the issues, recommendations, and prohibitions pertaining primarily to the following: compliance with laws and regulations[2], abiding by competition rules, corruption and fraud prevention[3], insider trading rules, conflicts of interest, participation in political activities, health and safety, discrimination and harassment prevention, respect for the environment, protection of assets, reliability of information, importance of internal control and application of sanctions in case of violations.

The action to strengthen the dissemination of the Code of Business Conduct and its appropriation by all Group employees is an ongoing process. A comprehensive training program, based on concrete case studies drawn from business examples, was reviewed by Transparency International and the International Chamber of Commerce in 2008, and disseminated in all countries where Lafarge operates. The Group continued in 2014 the active promotion of this program and interactive training tools, accessible through the Group intranet in all countries where the Group operates.

Asset protection

For many years, the Group has been defining policies and practices implemented for the purpose of protecting its assets, both tangible (property, plant and equipment, inventories, accounts receivable, financial assets, etc.) and intangible (brand, information, know-how, patents, etc.). The application of these policies has been strengthened by establishing internal control standards in the Group's countries and functional departments, with one main objective being the safeguarding of assets.

Fraud prevention program

The Group has a program designed to prevent, deter, and detect fraud. This program has been gradually reinforced over the years and encompasses:

- the Code of Business Conduct, which provides a general framework in this area;
- a procedure that was defined and deployed for reporting and monitoring cases of fraud and other breaches of the Code of Business Conduct, which requires that each case be reported to the Group through the various channels set out in this procedure and defines the role of the different parties involved (Country heads, Group Legal, Human Resources, Internal Audit, and Internal Control departments), the various types of fraud and the course to be followed in case of suspected fraud;
- an ethics line[4] set up to enable employees, anywhere in the world to anonymously exercise their whistleblowing rights[5], to report any breach of the rules set forth in the Code of Business Conduct and, more specifically, to report fraud cases. The guidelines issued by the Cnil (the French national data protection and privacy agency) were followed to set up this system, to ensure strict adherence to specific rules implemented in France regarding reporting mechanisms;
- the Group's internal control standards, which cover many key controls that directly and indirectly target the risk of fraud and have been widely deployed; and
- more generally, the body of rules, procedures, and controls applied within the Group's organizations.

SYSTEMS FOR MANAGING SPECIFIC RISKS

In particular, risk management systems have been developed and applied in the following areas:

- management of the Group's asset portfolio;
- actions to secure access to raw materials;
- environmental risk management and safety program;
- antitrust compliance program; and
- financial and market risks management.

These systems are defined by precise objectives, which are approved by the Group's governing bodies, the use of dedicated tools and resources to achieve these objectives, and a set of oversight and monitoring actions to ensure that they are properly implemented.

Management of the Group's asset portfolio

Management of the Group's asset portfolio mainly entails:

- actively monitoring country risks, particularly those arising from the economic, political and social climate;
- a process for geographically modelling natural disaster risks;
- a structured decision-making process for investments and divestments; and
- a system to optimize the flows of funds into the Group.

(1) *G4-56.*
(2) *G4-DMA: compliance*
(3) *G4-DMA: anti-corruption.*
(4) *G4-49, G4-57.*
(5) *G4-58.*

The Group Strategy department has defined a methodology for measuring and monitoring country risk trends over time. This analysis is conducted annually and is taken into account when defining the Group's asset management strategy. With the support of these analyses, we continue to diversify our portfolio geographically and exercise care to manage the respective weight of each country for the Group.

The Group's Risks and Insurance department has developed a process for modelling natural event risks with the primary aim of setting up insurance programs to secure optimum coverage for such risks.

Acquisitions and disposals are subject to review and approval at various levels as a function of their materiality, upon completion of each phase - economic opportunity study, feasibility study and detailed study. The Risk and Portfolio Committee reviews the risks and rewards of each acquisition or disposal project submitted thereto, based on an assessment report that covers the strategic, business and financial, legal, tax, human resources, and technical aspects (status of assets and mineral reserves, energy access conditions), as well as aspects related to sustainable development. A risk and opportunity analysis is performed in each of these areas.

Lastly, a Dividends Committee, in which the Group's Tax, Legal, Control and Consolidation and Financing and Treasury departments are represented, determines how to optimize returns of cash to the Group.

Actions to secure access to certain raw materials

Managing the risk associated with access to raw materials is organized upstream in the Group's development process, primarily through actions to secure long-term access to resources via acquisitions and development projects and ongoing management of land resources and other supply sources.

See Section 1.3.4 (Mineral reserves and quarries) on page 43 for further information.

Management of environmental, health and safety risks

The Group takes many measures to manage the environmental impact of its business operations. The Group's Environmental and Public Affairs department monitors the application of its environmental policy throughout all Group entities. This policy covers managing production facilities in compliance with the law, minimizing quantities of non-renewable resources used, minimizing waste production, and implementing quarry rehabilitation plans. Audits and performance controls are carried out to ascertain that standards and performance targets are met.

The Group is engaged in an ambitious program to improve its performance in terms of the health and safety of persons who work on its sites. This is being accomplished by defining a risk management standard, deploying specific operational rules and standards, as well as through systematic analyses of the causes of serious incidents, and by disseminating information on experiences and good practices throughout the sites. All Group business units have been mobilized to implement these standards, which are gradually reducing accident risks. The Health and Safety Management System (HSMS) has the main following governance Standards: Incident Reporting and Investigation, Contractor Health and Safety Management, Risk Management. On top of these, the HSMS has the following operational standards: Work at Height, Personal Protective Equipment, Energy Isolation, Transport of People and Loads and Work in Confined Space. This list is not exhaustive.

Competition compliance program

The Group's competition compliance program (Compliance Program), implemented since 2007, aims at ensuring that all Group employees abide by competition laws and regulations. It is applicable in all countries where Lafarge has operations and covers all of its activities, including those conducted jointly with third parties in the context of joint ventures. The Compliance Program is cascaded worldwide through a number of awareness tools and training actions, as well as verifications that the rules of the Compliance Program are being followed at Country level and information reporting through a dedicated network of competition correspondents based in every country where the Group operates[(1)].

In the event of allegations of breach of compliance with competition laws made against the Group or one of its subsidiaries, the Group's policy is to cooperate fully with the local antitrust authorities.

In 2014, the Group Competition Team and local lawyers continued the promotion of this global compliance program through various training sessions (including e-learning) and compliance verifications. In addition, various Group guidelines are available to increase the Group employees' awareness of specific competition risks and to help them manage these effectively, while respecting the Compliance Program.

Financial and market risk management

Management of financial and market risks (currency and interest rate risk, liquidity risk, equity risk and risk of price volatility for energy sources used in the production cycle) is centralized by the Group Finance department, which works jointly with the Group Purchasing department for energy source issues. A set of strict policies and procedures is determined at Group level to cover these risks and define the responsibilities of the different parties involved.

Approval must be obtained from the Group Finance department for all operations or transactions involving setting up financing and guarantees for a term of more than one year or above a certain amount, the use of some hedging instruments or derivatives, and the distribution of dividends.

Lafarge policies do not allow for any speculative positions on the market. Lafarge has instituted management rules based on the segregation of duties, financial and administrative control and risk measurement. Lafarge has also introduced an integrated system for its operations managed at corporate level that permits real-time monitoring of hedging strategies.

Lafarge policy is to use derivative instruments to hedge our exposure to exchange rate and interest rate risks. We also use derivative instruments from time to time to manage our exposure to commodity risks.

(1) *G4-DMA: anti-competitive behavior.*

Lafarge uses financial instruments only to hedge existing or anticipated financial and commercial exposures. This hedging is undertaken in the over-the-counter market with a limited number of highly rated counterparties. The positions in derivative financial instruments are monitored using various techniques, including the fair value approach.

To reduce Lafarge's exposure to currency risks and interest rate fluctuations, the exposure is managed both on a central basis through the Group Treasury department and in conjunction with some of Lafarge's subsidiaries. Various standard derivative financial instruments, such as forward exchange contracts, interest rate, currency swaps, and forward rate agreements, are used to hedge currency and interest rate fluctuations on assets, liabilities and future commitments, in accordance with guidelines established by senior management.

Lafarge is also subject to commodity risk with respect to price changes principally in the energy and maritime freight markets and from time to time uses derivative financial instruments to manage the exposure to these risks.

A follow-up review of risks related to financial instruments is regularly carried out based on indicators provided to the management team through internal reporting.

Lafarge participates in the selection and monitoring of financial assets covering pension benefit obligations in conjunction with the entities that manage these funds.

5.1.3 INSURANCE AND RISK COVERAGE

Lafarge's general insurance policy is based on the following key principles:

- implement prevention and protection actions in order to mitigate risks;
- retain exposure to frequency risks through Group captives;
- transfer only severity risks, above the self-retention threshold, to the leading insurers and reinsurers. Special attention is given to the financial strength of market participants;
- cover subsidiaries in which we own a majority shareholding under Group-wide insurance policies, subject to local regulatory constraints and specific geographical exclusions.

On this last point, the Group continues its actions. In this context, in 2014 the total cost of the Group's insurance programs, including the risks self-insured via the captives, amounted to about 0.5% of the revenues of the insured perimeter.

a) Property damage and business interruption insurance

These insurance programs cover property losses resulting from fire, explosion, natural disasters, machinery breakdown, etc. and related business interruption, if any. These programs provide worldwide coverage. Group assets are insured at their actual cash value. Total insured values amount to 23,956 million euros.

Potential fire loss scenarios for the largest sites are regularly evaluated with specialized engineers from an external consulting firm. The highest "Maximum Foreseeable Loss" for fire per site is lower than 210 million euros.

In line with the modelization process of risks linked to natural disasters, established by Lafarge in the past few years, a pluri-annual plan permits classification of the cement plants according to their vulnerability and to determine the potential scenarios and amounts involved.

The Group cover limit has been set at 250 million euros per claim for all sites with the usual sub-limits set by insurance companies.

The number and diverse geographical locations of the Group's industrial sites all over the world help mitigate the risk of high business interruption exposure.

In accordance with this plan, fire risk protection standards are progressively implemented in all cement plants with the support of prevention engineers from an external consulting firm.

b) Liability insurance

Public liability, product liability and environmental impairment liability policies are the main liability-type policies within the Group. They cover amounts commensurate with the nature of Lafarge's business activities, the relevant countries, loss experience and available capacity in the insurance and reinsurance markets.

c) Captive insurance

Lafarge has one captive insurance and one captive reinsurance company, both located in Europe, to manage the frequency risk of the Group's subsidiaries. The amount of liability retained by these captives stands at a maximum of 2 million euros per civil liability claim and 15 million euros per property damage claim.

In North America, the Group has two captive insurance companies covering workplace accidents, automobile civil liability and general civil liability. The maximum liability retained by these captives ranges from 2 million dollars to 5 million dollars per loss, depending on the type of coverage.

5.2 INTERNAL CONTROL PROCEDURES

5.2.1 REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON INTERNAL CONTROL PROCEDURES AND ON CORPORATE GOVERNANCE (ARTICLE L. 225-37 OF THE FRENCH COMMERCIAL CODE)

This report on internal control procedures and corporate governance was prepared under the responsibility of the Chairman of the Board pursuant to article L. 225-37 of the French Commercial Code.

It was drafted with the support of the Group Internal Control department and the Group Audit department. It was examined by the Audit Committee in its meeting of February 16, 2015, reviewed by the Corporate Governance and Nominations Committee, chaired by the Vice-Chairman of the Board (Lead Independent Director) on the governance aspects and approved as a whole by the Board of Directors in its meeting of February 17, 2015.

The information in this report is organized as follows:

- general organization of internal control and risk management;
- internal control procedures related to the preparation of accounting and financial information.

The introduction to Chapter 3 (Declaration in terms of corporate governance - Governance Code of Reference) and Sections 5.1.2 (Risk Management), 3.1 (Board of Directors-Corporate Officers), 3.2 (Board and Committees rules and practices), 3.4 (Compensation and benefits), 3.7 (Implementation of the principle "Comply or Explain" of the Afep-Medef Code), and 6.2.5 (e) (Convocation and admission to Shareholders' General Meetings) of the Registration Document (Document de référence) are part of this report. Moreover the Registration Document includes the information pursuant to article L. 225-100-3 of the French Commercial Code in 6.2.6 (Change of control).

Internal control related to the preparation of financial and accounting information is designated below as “internal control over financial reporting”.

a) General organization of internal control and risk management

INTERNAL CONTROL FRAMEWORK CHOSEN BY THE GROUP

In accordance with the definition of the updated COSO report[1], which is the integrated internal control framework chosen by the Group, the internal control process consists of implementing and permanently adapting appropriate management systems, aiming at giving the Directors and management reasonable assurance concerning the reliability of financial reporting, compliance with laws and internal regulations, and the effectiveness and efficiency of major Company processes. One of the objectives of internal control is to prevent and monitor the risks of errors and fraud. Like all control systems, because of its inherent limitations, the internal control process cannot guarantee that all risks of errors or fraud are fully eliminated or controlled.

GROUP INTERNAL CONTROL ENVIRONMENT

Lafarge aims to have effective Internal Control systems in place at each level of responsibility supported by commitment of management and a culture of internal control.

The Group’s internal control environment is based on key documents such as the Group Principles of Action, Principles of Organization and Code of Business Conduct, which have to be strictly applied by Group employees:

- the Principles of Actions present Group commitments towards customers, employees, local authorities and shareholders and other Group stakeholders, and define the “Lafarge Way”, its management philosophy;
- the Principles of Organization define responsibilities at all levels within the organization (countries and Group), the various components of the management cycle as well as the key principles driving performance improvement;
- the Code of Business Conduct defines rules of conduct and is structured as follows: compliance with laws and regulations, prevention of conflicts of interest, respect for people and the environment, safeguarding of the Group’s assets, financial disclosure, importance of internal control, implementation of behavioral rules and appropriate sanctions.

In addition, Group Approval Rules setting the approving authority for commitments and decisions involving Lafarge S.A. and any of its subsidiaries have been revised to align to the Group country based organization gradually implemented in 2012 and 2013.

(1) *COSO: Committee of Sponsoring Organizations of the Treadway Commission. May 2013.*

Those documents are supplemented by rules and policies established by the Group defining priorities for each of the Group's principal functions. Among other things, these rules state that implementing a robust internal control process is one of the primary responsibilities of the Executive Management of each legal or operational entity.

An annual assessment of the internal control environment is organized in the Group on the basis of self-assessment questionnaires completed at the Country and Group level and signed by relevant managers[(1)].

RISK IDENTIFICATION AND ANALYSIS

The approach implemented by the Group, relating to the identification and analysis of risks, is described in Section 5.1.2 (a) (Risk identification and analysis) of the Registration Document.

RISK MANAGEMENT SYSTEMS

A presentation of the general framework of risk management and of major risk management systems is also included in Section 5.1.2 (b) (Risk management systems) of the Registration Document.

CONTROL ACTIVITIES

Control activities are implemented at every level in the Group, in compliance with rules and policies described above.

Internal control activities over major processes impacting the reliability of the Group's financial reporting are defined in the Group "Internal Control Standards"[(2)] and are documented and tested as described in Section 5.2.1 (b) below.

INFORMATION AND COMMUNICATION

The Group's key documents are available on the Group's intranet. Function leaders are responsible for disseminating the rules, policies and procedures applicable Group-wide.

Controls and procedures over key processes affecting the Group's financial reporting are subject to formal documentation and test procedures described in Section 5.2.1 (b) below.

INTERNAL CONTROL MONITORING ACROSS THE GROUP

Internal control is monitored at all levels of the Group. The roles of major stakeholders are described below.

Board of Directors and Board Committees

The Board of Directors and its specialized Committees, and in particular the Audit Committee, ensure the implementation of the Group's internal control policy.

See Sections 3.1 (Board of Directors-Corporate Officers), 3.2 (Board and Committees rules and practices) and 3.4 (Compensation and benefits).

Group Executive Committee

The Executive Committee steers the effective implementation of the Group's internal control policy, through:

- the monitoring and follow-up of internal control procedures performed throughout the Group, and in particular the follow-up of identified action plans. Periodic presentations on internal control are submitted to the Executive Committee. Specifically, the Country Chief Executive Officers of countries considered as priorities are required to present the internal control risks in their countries to the Executive Vice-Presidents Operations;
- the review of the annual summary of the Group's internal audit reports.

Group functions leaders

With regard to processes affecting the reliability of financial reporting, Group function leaders, including in particular managers of the Group Finance function, have been designated at Group level as "business process owners", with the responsibility of:

- documenting their processes at Group level including product line specifics and verifying that the "Internal Control Standards" for such processes are effectively implemented;
- defining and updating the standards of internal control applicable to countries.

Countries

In application of the Group internal control policy, internal control is under the direct responsibility of the Executive Committee of each country.

In each of the Group's countries, "Internal Control Managers" are appointed. Their role consists mainly in supporting the identification of risks by the management, the implementation of the Group's "Internal Control Standards" and ensuring procedures related to "internal control over financial reporting" in their country are implemented. Their activities are coordinated by the Group Internal Control department presented below.

Group Internal Audit

The Group Internal Audit department (around 30 persons) is responsible for performing an independent assessment of the quality of internal control at all levels in the organization, following the annual audit plan approved by the Group Chairman and Chief Executive Officer and the Audit Committee.

Reports are issued to audited countries and to senior managers upon completion of the fieldwork. An annual summary of such reports is presented to the Chairman and Chief Executive Officer and to the Audit Committee, who also receives comments from the Group's external auditors on internal control.

Furthermore, follow-up assignments are organized to verify that internal audit recommendations have been put in place.

Group Internal Control department

The Group Internal Control department (7 persons) is part of the Group Finance function. This department is in charge of overseeing internal control and monitoring all procedures related to "internal control over financial reporting".

This department oversees the definition of "Internal Control Standards" mentioned above and coordinates the network of Internal Control Managers within countries. It supports countries and the heads of Group functions in the implementation of such standards as well as the documentation and tests of controls over financial reporting presented in Section 5.2.1 (b) below.

The Internal Control Committee chaired by the Group Chief Financial Officer and encompassing the key finance managers at Group level, the Group audit Director, the Group information systems Director, the Group energy and strategic sourcing Director, and the Group legal counsel oversees the work performed on "internal control over financial reporting".

(1) *G4-SO3*

(2) *Group "Internal Control Standards" is the set of key controls covering the main risks pertaining to processes participating in the preparation of financial reporting.*

b) Procedures related to "internal control over financial reporting"

KEY PROCESSES WITH AN IMPACT ON THE RELIABILITY OF GROUP FINANCIAL REPORTING

Processes with a direct impact on the production of financial reporting, for which key controls were defined as part of the analysis presented above, relate to the following areas: finance (closing process including monitoring of off-balance sheets commitments, consolidation process, legal and tax management, treasury management, etc.), purchasing (from the bidding process to recording and payment of invoices), sales (from order receipt to revenue recognition and collection), IT (security management, among others), payroll and management of various employee benefits, management of tangible and intangible assets and management of inventories (physical count, valuation, etc.).

DOCUMENTATION AND TESTING OF "CONTROL OVER FINANCIAL REPORTING"

The Group is committed to maintaining high standards of internal control. It implements detailed work related to documentation and testing of "internal control over financial reporting" to support its assessment. All documentation is kept in a dedicated internal control tool which is maintained by the Group Internal Control department.

This work is implemented by country and at Group level, on key controls contributing to the reliability of financial reporting and encompasses:

- a description of key processes affecting the reliability of the Group's financial reporting, and that of the parent company as presented above;
- a detailed description of key controls defined in the Group's "Internal Control Standards" presented above;
- tests of controls to check the operational effectiveness of such controls; the scope of such tests being defined based on the materiality and risk level of each entity;
- an annual internal "certification" process to review the principal action plans in progress and to confirm management responsibility at country and Group level for the quality of both internal control and financial reporting. This process also supports the risk identification described in Section 5.1.2 (a) (Risk identification and analysis) of the Registration Document.

This work is part of the process of continuous improvement in internal control and includes the preparation of specific action plans, identified through the activities described above, as well as through internal and external audits. The implementation of action plans is followed up by relevant senior management. The outcome of such procedures is presented to the Audit Committee.

PREPARATION OF PUBLISHED FINANCIAL REPORTING

Specific procedures are put in place to ensure the reliability of published financial reporting, as follows:

- a consolidation and financial reporting IT system is used to prepare Group and parent company financial reporting;
- a formal reporting, analysis and control process for other published information included in the Group's Registration Document (*Document de Référence*) is implemented.

This process is monitored by the Disclosure Committee, composed of the main heads of Group functions, who verify the content of financial disclosures and reports before they are submitted to the Audit Committee and to the Board of Directors.

Paris, February 18, 2015

French original signed by

Bruno Lafont

Chairman of the Board of Directors

5.2.2 STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE *(CODE DE COMMERCE)*, ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF LAFARGE ON THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

YEAR ENDED DECEMBER 31, 2014

This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English-speaking users. This report should be read in conjunction with, and construed in accordance with, French Law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as statutory auditors of Lafarge (the "Company"), and in accordance with Article L. 225-235 of the French Commercial Code *(Code de commerce)*, we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code for the year ended December 31, 2014.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by Article L.225-37 of the French Commercial Code, particularly in terms of corporate governance.

It is our responsibility to:

- report to you on the information set out in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information;
- attest that this report contains the other disclosures required by Article L. 225-37 of the French Commercial Code, it being specified that we are not responsible for verifying the fairness of these other disclosures.

We conducted our work in accordance with professional standards applicable in France.

INFORMATION ON THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information, and the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have detected in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of these procedures, we have nothing to report on the information in respect of the Company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman's of the Board in accordance with Article L. 225-37 of the French Commercial Code.

OTHER DISCLOSURES

We hereby attest that the Chairman's report contains the other information required by Article L. 225-37 of the French Commercial Code.

Neuilly-sur-Seine and Paris-La Défense, March 6, 2015

The Statutory Auditors

DELOITTE & ASSOCIÉS		ERNST & YOUNG et Autres	
French original signed by		French original signed by	
Arnaud de Planta	Frédéric Gourd	Alain Perroux	Nicolas Macé

5.3 AUDITING MATTERS

5.3.1 AUDITORS

Auditors

STATUTORY AUDITORS

DELOITTE & ASSOCIÉS
185, avenue Charles-de-Gaulle, 92200 Neuilly-sur-Seine, represented by Arnaud de Planta and Frédéric Gourd, re-appointed in its functions on May 15, 2012 for a period of six financial years expiring at the end of the Shareholders' Meeting called to approve the financial statements for financial year 2017. DELOITTE & ASSOCIÉS, member of the Versailles regional company of independant auditors.

ERNST & YOUNG ET AUTRES
Tour First, 1-2, place des Saisons, Paris La Défense 1, 92400 Courbevoie, represented by Alain Perroux and Nicolas Macé, appointed in its functions on May 15, 2012 for a period of six financial years expiring at the end of the Shareholders' Meeting called to approve the financial statements for financial year 2017 (replacing Ernst & Young Audit). ERNST & YOUNG et Autres, member of the Versailles regional company of independant auditors.

ALTERNATE AUDITORS

BEAS
195, avenue Charles-de-Gaulle, 92200 Neuilly-sur-Seine, re-appointed in its functions on May 15, 2012 for a period of six financial years expiring at the end of the Shareholders' Meeting called to approve the financial statements for financial year 2017.

AUDITEX
1-2, place des Saisons, Paris La Défense 1, 92400 Courbevoie, re-appointed in its functions on May 15, 2012 for a period of six financial years expiring at the end of the Shareholders' Meeting called to approve the financial statements for financial year 2017.

5.3.2 AUDITORS' FEES AND SERVICES

	DELOITTE & ASSOCIÉS				ERNST & YOUNG ET AUTRES			
	Amount (excl. tax)		%		Amount (excl. tax)		%	
(million euros)	2014	2013	2014	2013	2014	2013	2014	2013
AUDIT FEES								
Audit, attestation and review of individual and consolidated financial statements	*6.4*	*6.3*	*73%*	*92%*	*5.8*	*5.7*	*78%*	*85%*
Lafarge S.A.	1.6	1.6	18%	23%	1.4	1.4	19%	21%
Subsidiaries fully consolidated and joint ventures	4.8	4.7	55%	69%	4.4	4.3	59%	64%
Audit-related Fees(1)	*2.0*	*0.4*	*23%*	*6%*	*1.4*	*0.8*	*19%*	*12%*
Lafarge S.A.	1.3	0.2	15%	3%	0.6	0.2	8%	3%
Subsidiaries fully consolidated and joint ventures	0.7	0.2	8%	3%	0.8	0.6	11%	9%
SUB-TOTAL	**8.4**	**6.7**	**96%**	**98%**	**7.2**	**6.5**	**97%**	**97%**
OTHER FEES								
Tax fees(2)	*0.4*	*0.1*	*4%*	*2%*	*0.2*	*0.2*	*3%*	*3%*
Legal and Employment fees	-	-	-	-	-	-	-	-
Information technology	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
SUB-TOTAL OTHER FEES	**0.4**	**0.1**	**4%**	**2%**	**0.2**	**0.2**	**3%**	**3%**
TOTAL FEES	**8.8**	**6.8**	**100%**	**100%**	**7.4**	**6.7**	**100%**	**100%**

(1) *Audit-related fees are generally fees billed for services that are closely related to the performance of the audit or review of financial statements. These include due diligence services related to acquisitions, consultations concerning financial accounting and reporting standards, attestation services not required by statute or regulation, information system reviews.*

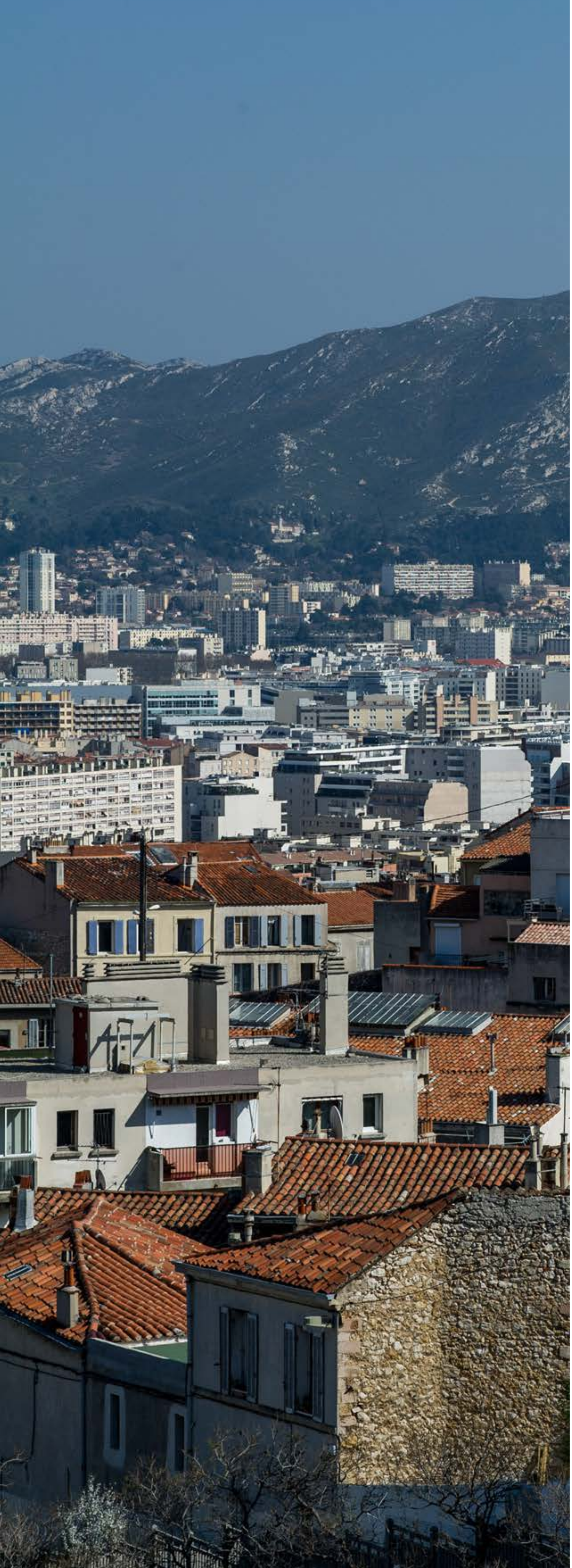
(2) *Tax fees are fees for services related to international and domestic tax compliance, including the review of tax returns and tax services regarding statutory accounts, regulatory or administrative developments and expatriate tax assistance and compliance.*

5.3.3 AUDITORS' REPORTS

The table below indicates where to find the different reports issued by the auditors in this Registration Document.

Report	Page
Report on the consolidated financial statements	F3
Report on the statutory accounts	F81
Special report on related-party agreements and commitments	F105
Statutory Auditors' report on the profit forecasts for the year 2015	49
Report on the report prepared by the Chairman of the Board of Directors on internal control and risk management	190

In addition, Bureau Veritas Certification's report on sustainable development indicators can be found on page 162 of this Registration Document.



6

SHAREHOLDERS, SHARE CAPITAL AND ADDITIONAL INFORMATION

6.1 SHAREHOLDERS

6.1.1 MAJOR SHAREHOLDERS AND SHARE CAPITAL DISTRIBUTION

The following tables set out, to the best of our knowledge, the principal holders of Lafarge S.A.'s share capital at December 31, 2014, their percentage ownership and geographic distribution:

Major shareholders

	2014				2013			
At December 31	Number of shares held	Number of votes held	% of total shares issued	% of total voting rights	Number of shares held	Number of votes held	% of total shares issued	% of total voting rights
Groupe Bruxelles Lambert	60,568,754	120,876,019	21.1	29.3	60,307,265	109,614,530	20.9	27.2
NNS Holding Sàrl	40,063,011	80,126,022	13.9	19.4	40,063,011	80,126,022	13.9	19.9
Dodge & Cox	20,978,862	28,396,758	7.3	6.9	20,182,686	27,409,519	7.0	6.8
Other institutional shareholders(1)	136,549,558	144,594,498	47.5	35.0	132,346,026	141,721,165	46.2	35.3
Individual shareholders	29,310,961	38,759,141	10.2	9.4	34,448,474	43,545,874	12.0	10.8
Treasury shares	70,538	70,538(2)	-	-	17,935	17,935(2)	-	-
TOTAL	**287,541,684**	**412,822,976**	**100.0**	**100.0**	**287,365,397**	**402,435,045**	**100.0**	**100.0**

Source: Thomson Reuters.

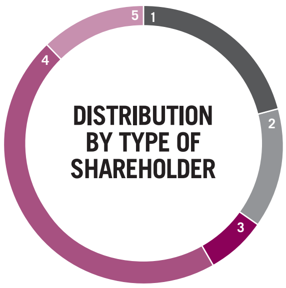
(1) *Including 51,471 Lafarge S.A. shares currently held by Cementia Holding AG for the benefit of shareholders who have not yet requested the delivery of their Lafarge S.A. shares, following the squeeze-out procedure carried out by Lafarge S.A. in 2002 with respect to the Cementia Holding AG shares.*

(2) *Theoretical voting rights; at a General Meeting these shares bear no voting right.*

Share capital distribution

DISTRIBUTION BY TYPE OF SHAREHOLDER

Based on our knowledge, nine institutional shareholders held between 1% and 4% of our outstanding shares at December 31, 2014. Of these institutional shareholders, six held between 1% and 2% of our shares, 2 held between 2% and 3% of our shares, 1 held between 3% and 4% of our shares.



1.Groupe Bruxelles Lambert	21.1%
2.NNS Holding Sarl	13.9%
3.Dodge & Cox	7.3%
4.Other institutional shareholders	47.5%
5.Individual shareholders*	10.2%

* *Including 1.62% of the share capital held by Group employees.*

GEOGRAPHICAL DISTRIBUTION

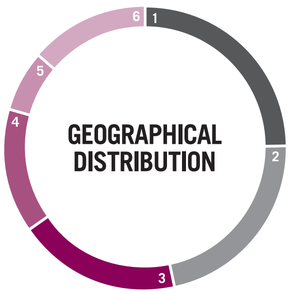
At December 31	2014 Number of shares held	2014 % of total shares issued	2013 Number of shares held	2013 % of total shares issued
France	68,088,103	23.7	71,888,339	25.0
Belgium[(1)]	62,625,800	21.8	62,448,794	21.7
United States	62,858,522	21.8	54,049,287	18.8
Luxembourg[(2)]	40,751,069	14.2	40,727,373	14.2
United Kingdom	18,121,111	6.3	19,700,487	6.9
Rest of the World	35,097,079	12.2	38,551,117	13.4
TOTAL	**287,541,684**	**100.0**	**287,365,397**	**100.0**

Source: Thomson Reuters.

(1) *Including shares held by Groupe Bruxelles Lambert.*

(2) *Including shares held by NNS Holding Sàrl.*

GEOGRAPHICAL DISTRIBUTION



1.France	23.7%
2.Belgium	21.8%
3.United States	21.8%
4.Luxembourg	14.2%
5.United Kingdom	6.3%
6.Rest of the World	12.2%

Pledge of our shares

22,230,159 of our shares held in registered form were pledged at December 31, 2014, representing 7.73% of our share capital and 10.77% of our voting rights. 99.79% of these pledged shares were held by NNS Holding Sàrl.

6.1.2 SHAREHOLDERS' AGREEMENT AND SHAREHOLDERS UNDERTAKINGS

Shareholders' agreement with the Sawiris family and NNS Holding Sàrl

A 10-year shareholders' agreement was entered into with certain members of the Sawiris family and NNS Holding Sàrl on December 9, 2007, following the acquisition of the Cement activities of the Orascom Group (Orascom Construction Industries S.A.E., acquired by the Group on January 23, 2008). This agreement contains certain commitments regarding the shares issued for their benefit as a result of the reserved capital increase of 2008.

In particular, the shareholders' agreement contained (i) a lock-up commitment of four years (with limited exceptions) followed by a three-year period for phased disposals; (ii) a standstill commitment for a four-year period not to acquire more than 8.5% of the share capital in addition to their current shareholding, such holding in any case not to exceed a total of 20% of the share capital or any other higher level of shareholding that would come to be held by another shareholder acting alone or in concert; and (iii) a commitment not to act in concert with a third party in relation to Lafarge S.A. shares for a 10-year period.

In consideration of these commitments, the Company has undertaken to make its best efforts to ensure that NNS Holding Sàrl is entitled to nominate two of its representatives as members of the Board of Directors as long as NNS Holding Sàrl and the Sawiris family together hold more than 10% of the share capital of the Company and comply with all their obligations under this agreement.

Since March 27, 2012, the shares held by NNS Holding Sàrl and certain members of the Sawiris family are no longer subject to the lock-up commitment and acquisitions of Lafarge S.A. shares are unrestricted. The only remaining covenants are information covenants as well as the commitment not to act in concert with a third party.

Undertakings of Groupe Bruxelles Lambert on the one hand and Mr Nassef Sawiris and NNS Holding Sàrl on the other hand relating to the merger project with Holcim

As part of the merger project between Lafarge and Holcim (the "transaction"), which would be finalized by means of a public tender offer initiated by Holcim on the shares of Lafarge S.A., two agreements were executed on April 6, 2014, one between Lafarge, Holcim Ltd and Groupe Bruxelles Lambert and the other between Lafarge, Holcim Ltd, Mr Nassef Sawiris and NNS Holding Sàrl.

Under these agreements, Groupe Bruxelles Lambert, on the one hand, and Mr Nassef Sawiris and NNS Holding Sàrl, on the other hand, have undertaken to tender all Lafarge S.A. shares which they respectively held as of April 6, 2014 (i.e. 60,308,408 Lafarge S.A. shares for Groupe Bruxelles Lambert and, in aggregate, 40,064,682 Lafarge S.A. shares for Mr Nassef Sawiris and NNS Holding Sàrl) to the public exchange offer, as well as any additional Lafarge S.A. shares they may acquire in future. Groupe Bruxelles Lambert on the one hand, and Mr Nassef Sawiris and NNS Holding Sàrl on the other hand, have made a commitment to reiterate, if necessary, such undertaking to tender their shares.

The undertakings to tender their shares given by Groupe Bruxelles Lambert, on the one hand, and Mr Nassef Sawiris and NNS Holding Sàrl, on the other, will become void in the event (i) a third party files a public offer before the public exchange offer to be initiated by Holcim, or (ii) a competing public offer made by a third party, subsequent to the public tender offer initiated by Holcim, is declared compliant by the AMF. However, in the event that, following such an offer by a third party, Holcim initiates a competing offer or makes a higher bid, such offer or outbid being declared compliant by the AMF and the other principles and terms of the transaction remaining unchanged (in particular regarding governance of the new entity), the undertakings to tender their shares made by Groupe Bruxelles Lambert, on the one hand, and Mr Nassef Sawiris and NNS Holding Sàrl, on the other, will apply to this competing offer or outbid made by Holcim.

Groupe Bruxelles Lambert, on the one hand, and Mr Nassef Sawiris and NNS Holding Sàrl, on the other hand, have declared not to be acting in concert with a third party in respect of Lafarge or Holcim and have undertaken not to act in concert with a third party in respect of Lafarge or Holcim for a specific period (the "restricted period").

In addition, during the restricted period, Groupe Bruxelles Lambert, on the one hand, and Mr Nassef Sawiris and NNS Holding Sàrl, on the other hand, have made a commitment (on their behalf and on behalf of any of their subsidiaries holding Lafarge S.A. shares) to:

- hold and not sell or otherwise transfer in any way, including by entering into a derivatives transaction, any Lafarge S.A. share (permitted exceptions aside);
- abstain from any initiative aiming at, or to solicit, encourage, facilitate or induce an alternative transaction or offer to the public exchange offer to be initiated by Holcim or to the proposed merger between Holcim and Lafarge (an "alternate proposal"), and to inform Lafarge and Holcim of any solicitation or proposal from a third party which could lead to an alternate proposal;
- abstain from having any discussion with any person or entity regarding an alternate proposal or to engage in any negotiation regarding an alternate proposal; or
- abstain from supporting or proposing publicly to support any alternate proposal.

The two agreements will terminate on December 31, 2015, except in case of early termination, it being specified that if Holcim initiates the public exchange offer before December 31, 2015, the term of these agreements will be automatically extended until settlement-delivery of the public exchange offer.

For more information on the merger project, see Section 1.2.7. *A detailed publication on the shareholders' agreements mentioned above is also available on the AMF website, www.amf-france.org.*

6.1.3 REGULATORY DECLARATIONS

a) Pre-offer period

Following the announcement of the merger project with Holcim, the AMF declared that a pre-offer period regarding Lafarge S.A. securities started on April 7, 2014.

During this pre-offer period, the provisions on trading in securities and disclosure requirements relating to various transactions (such as the acquisition, sale, subscription, lending or borrowing of securities or the acquisition/ sale of financial instruments) as provided in sections 231-38 to 231-52 of the general regulations of the AMF which are carried out, inter alia, by shareholders holding at least 5% of the share capital or voting rights of Lafarge S.A. or Lafarge S.A. Directors, are applicable to Lafarge S.A. securities.

Declarations made during the pre-offer period are available on the AMF website, www.amf-france.org.

b) Threshold notifications imposed by law and declarations of intent

GROUPE BRUXELLES LAMBERT

In 2014, Groupe Bruxelles Lambert declared the acquisition of securities by controlled entities (GBL Energy S.à.r.l and Serena S.à.r.l), resulting in Groupe Bruxelles Lambert holding directly and indirectly 60,569,897 Lafarge S.A. shares (representing 120,826,636 voting rights) as at August 4, 2014. As part of this notification, Groupe Bruxelles Lambert also declared the following:

"All Lafarge shares held by the GBL Group, ie by Groupe Bruxelles Lambert, LTI One, Serena and GBL Energy, are within the scope of the undertaking to tender all shares held to the public exchange offer which was made by Groupe Bruxelles Lambert on April 6, 2014 and published by the AMF on April 14, 2014. The GBL Group is acting alone and is not acting in concert with any third party. GBL has no intention to continue acquiring securities, whether directly or indirectly."

Groupe Bruxelles Lambert did not notify any threshold crossing imposed by law or make any declaration of intent during 2013 and 2012.

In 2011, Groupe Bruxelles Lambert declared having exceeded the legal threshold of 25% of Lafarge S.A. voting rights on April 28, 2011 and holding 60,307,265 Lafarge S.A. shares representing 109,614,530 voting rights (corresponding to 21.05% of the share capital and 28.46% of the voting rights), as a result of the allotment of double voting rights.

It was specified that there was no financing associated with this threshold crossing as it resulted from the allotment of double voting rights and Groupe Bruxelles Lambert confirmed that it was not party to any agreement for the temporary transfer of its Lafarge S.A. shares or voting rights.

As part of this notification, Groupe Bruxelles Lambert declared that it was acting in concert with those controlling Groupe Bruxelles Lambert (legal presumption) but not with any other third party, that it was not contemplating further acquisitions (without excluding the possibility of arbitrage) and that it had no intention of taking control of Lafarge S.A.

Groupe Bruxelles Lambert also confirmed supporting the strategy of the Board of Directors of Lafarge S.A., that it had no intention of either soliciting the appointment of additional Directors other than its existing three representatives to the Lafarge S.A. Board of Directors or implementing the transactions listed in paragraph 6 of article 223-17 of the general regulations of the AMF, *i.e.* any of the following:

- merger, restructuring, liquidation or transfer of a substantial part of the Company's assets, or of any controlled person as defined by article L. 233-3 of the French Commercial Code;
- change to the Company's business;
- change to the Company's articles of association;
- delisting of a category of securities issued by the Company;
- issue of Lafarge S.A. securities.

NNS HOLDING SÀRL AND MR NASSEF SAWIRIS

In 2014, NNS Holding, a company controlled by trusts constituted for the benefit of Mr Nassef Sawiris and his family, declared having entered into a cash-settled share forward transaction on May 16, 2014 based on an underlying number of 6,000,000 Lafarge S.A. shares. This forward transaction does not give NNS Holding any right to Lafarge S.A. shares nor voting rights in the Company. The settlement price will be based on a formula and calculated on settlement. As a result of these 6,000,000 shares (assimilated to shares held according to the provisions of article L. 233-9 of the French Commercial Code), NNS Holding and NNS Holding Sàrl, in concert with Mr. Nassef Sawiris, hold 46,064,682 Lafarge S.A. shares representing 86,129,364 voting rights (corresponding to 16.03% of the capital and 20.84% of the voting rights).

Mr Nassef Sawiris and NNS Holding Sàrl did not notify any threshold crossing imposed by law or make any declaration of intent during 2013.

In 2012, Mr Nassef Sawiris declared having exceeded the threshold of 15% of Lafarge S.A.'s share capital on October 1, 2012, acting in concert with NNS Holding Sàrl (the Sawiris family holding company) and NNS Holding (Cayman) (a company controlled by a trust constituted by Mr Sawiris) and holding in concert 48,120,866 Lafarge S.A. shares representing 87,912,654 voting rights (corresponding to 16.75% of the share capital and 22.04% of the voting rights).

This threshold crossing results from the assimilation of 6,000,000 Lafarge S.A. shares by NNS Holding (Cayman) following the entry into force of new legislation providing that shares underlying cash-settled share derivatives must be assimilated to shares and voting rights held (article L. 233-9 I 4°bis of the French Commercial Code).

NNS Holding (Cayman) has entered into a cash-settled share forward transaction. This forward transaction does not give NNS Holding (Cayman) any right to Lafarge S.A. shares or voting rights in the Company. NNS Holding (Cayman)'s economic exposure corresponds to an underlying number of 6,000,000 Lafarge S.A. shares. This forward transaction is due to settle on May 19, 2014 but can be settled earlier in all or in part.

It was also specified that part of the shares declared by NNS Holding Sàrl (*i.e.*: 2,056,184 Lafarge S.A. shares representing 2,056,184 voting rights) correspond to two purchase options, to be cash or stock settled at NNS Holding Sàrl's initiative: one option relating to 1,022,247 Lafarge S.A. shares to be settled on January 17, 2013 and a further option relating to 1,033,937 Lafarge S.A. shares to be settled on January 31, 2013.

At this time, Mr Nassef Sawiris, NNS Holding Sàrl and NNS Holding (Cayman) declared acting in concert, it being specified that as a result of the shareholders' agreement of December 9, 2007 entered into between Lafarge S.A. and NNS Holding Sàrl, they had undertaken not to act in concert with any third party (with the exception of certain members of Mr Nassef Sawiris' family and related companies) for the duration of the shareholders, agreement (10 years).

NNS Holding Sàrl and Mr Nassef Sawiris also declared envisaging to proceed to further acquisitions depending on opportunities and on the market (it being specified that the limits set by the shareholders, agreement of December 9, 2007, described further in Section 6.1.2 (Shareholders' agreement with the Sawiris family and NNS Holding Sàrl), are no longer applicable).

Mr Nassef Sawiris, NNS Holding Sàrl and NNS Holding (Cayman) declared having no intention of taking control of Lafarge S.A. and renewing their support to the management of the Company.

Furthermore, Mr Nassef Sawiris, NNS Holding Sàrl and NNS Holding (Cayman) declared that they were not party to any agreement for the temporary transfer of Lafarge S.A. shares or voting rights and had no project for any:

- merger, restructuring, liquidation or transfer of a substantial part of the Company's assets;
- change to the Company's articles of association or business;
- delisting of a category of securities issued by the Company;
- issue of Lafarge S.A. securities;
- request for the appointment of further Board members.

NNS Holding (Cayman) further declared having no intention to amend the cash-settled share forward transaction described above into a transaction which can be settled in Lafarge S.A. shares.

In 2011, Mr Nassef Sawiris declared having exceeded the threshold of 20% of the voting rights in Lafarge S.A. on April 28, 2011, acting in concert with NNS Holding Sàrl (the Sawiris family holding company) and holding in concert 40,297,995 Lafarge S.A. shares representing 80,126,943 voting rights (corresponding to 14.07% of the share capital and 21.14% of the voting rights), as a result of the allotment of double voting rights.

It was specified that since the threshold was crossed as the result of the allotment of double voting rights, as opposed to the acquisition of shares, there was no financing or securities borrowing associated with this threshold crossing.

As part of this notification in 2011, NNS Holding Sàrl and Mr Nassef Sawiris made declarations of intent similar to the ones made in 2012 as set out above.

DODGE & COX

Dodge & Cox did not notify any threshold crossing imposed by law or make any declaration of intent during 2014, 2013 and 2012.

In 2011, Dodge & Cox, acting for client accounts, declared having exceeded the 5% threshold of the share capital of Lafarge S.A. on August 30, 2011 and holding for the accounts of the above mentioned clients 14,375,379 Lafarge S.A. shares representing 21,135,004 voting rights, corresponding to 5.04% of the share capital and 5.33% of the voting rights of Lafarge S.A. This threshold crossing results from the acquisition of Lafarge S.A. shares on the market.

SOUTHEASTERN ASSET MANAGEMENT, INC.

Southeastern Asset Management, Inc. did not notify any threshold crossing imposed by law or make any declaration of intent during 2014 and 2013.

In 2012, Southeastern Asset Management, Inc., acting for client accounts, declared having fallen below the 5% threshold of the share capital of Lafarge S.A. on August 16, 2012 and holding for the accounts of the above mentioned clients 14,297,439 shares representing 14,297,439 voting rights, corresponding to 4.98% of the share capital and 3.58% of the voting rights of Lafarge S.A. This threshold crossing results from the sale of Lafarge S.A. shares off market.

In 2011, Southeastern Asset Management, Inc., acting for client accounts, declared having exceeded the 5% threshold of the share capital of Lafarge S.A. on November 24, 2011 and holding for the accounts of the above mentioned clients 14,846,018 shares representing 14,846,018 voting rights, corresponding to 5.17% of the share capital and 3.75% of the voting rights of Lafarge S.A. This threshold crossing results from the acquisition of Lafarge S.A. shares on the market and off market.

OTHERS

To our knowledge, there is no shareholder holding more than 5% of our share capital or voting rights other than those mentioned above.

6.1.4 EMPLOYEE SHARE OWNERSHIP

As at December 31, 2014, Lafarge employees held 1.62% of the share capital and 2.20% of voting rights of Lafarge S.A. 1.10% of the share capital was held by employees in direct ownership (registered account) and the balance, representing 0.52% of the share capital, by the employee savings fund Lafarge 2000.

Employee Stock Ownership Policy

Since 1961, date of the first share offering reserved for employees, Lafarge has developed an active employee share ownership program. The Group is convinced that being both an employee and a shareholder strengthens the tie with the Company and wishes to provide this opportunity on a regular basis to the largest possible number of employees on a worldwide basis.

All employee stock ownerships programs launched since 1995 have been direct stock ownership programs, enabling employees to be registered directly as shareholders and to vote individually at shareholders meetings. Direct ownership of employees in the share capital of Lafarge S.A. as at December 31, 2014 represented 1.10%.

Lafarge has launched six employee stock ownership programs called "Lafarge en action" (LEA) since 1995, enabling employees participating in these plans to subscribe to Lafarge S.A. shares, with a discount and an employer matching contribution. The amount of the employer contribution, applied to the first shares purchased, depends on the gross domestic product of the relevant country. The shares are subject to a five year holding period save for defined early unblocking events.

The plans launched in 1995 and 2002 gave employees the additional right to receive one stock option for every share purchased beginning with the eleventh share.

Lafarge also set up an employee savings fund in 1990 for its French employees, part of the Group Savings Plan, called Lafarge 2000, and under which participating employees can contribute to a savings plan linked to the value of the Lafarge shares and benefit from an employer contribution. Voting rights of employees participating in Lafarge 2000 (which represents 0.52% of the share capital of Lafarge S.A. as at December 31, 2014) are exercised collectively by the Supervisory Board of the savings plan fund, which is composed of an equal number of employee and employer representatives.

Latest share capital increase for employees: "Lafarge in Action" plan (LEA)

The last Group employee stock ownership plan was launched in 2011. On May 12, 2011, the Board of Directors, acting by virtue of a delegation of the Annual Shareholders' Meeting of May 12, 2011, decided on the terms of the LEA 2011 scheme. The goal of this employee stock ownership plan was to reach all employees of Lafarge, meaning that it was offered in all countries where it was legally feasible. The subscription price for the shares was set at 36.98 euros, corresponding to 80% of the reference price calculated on the basis of the average opening share price on Euronext Paris over the twenty trading days preceding May 12, 2011. With LEA 2011, each employee was offered the possibility to subscribe for Lafarge S.A. shares while benefiting from a matching contribution from their employer on the first 15 shares purchased. The share capital increase reserved for eligible employees was carried out on July 29, 2011; the total amount of the share capital increase was 3,174,956 euros, corresponding to the issuance of 793,739 shares. The subscription rate was 44%.

Where it was not possible to offer the LEA 2011 program in a country, employees could subscribe to an alternative plan providing the same economic benefits.

Previous stock ownership programs in 2005 and 2009 were structured with offers essentially equivalent to that of the 2011 program.

SUMMARY TABLE

The following table sets out the main terms of employee stock ownership plans:

	LEA 2011	LEA 2009	LEA 2005	LEA 2002	LEA 1999	LEA 1995
Number of countries covered	58	55	46	47	33	21
Number of eligible employees	57,588	70,085	51,150	53,818	40,570	20,113
Subscription rate	44.0%	53.0%	48.8%	53.3%	51.6%	74.6%
Total number of shares subscribed	793,739	1,101,834	576,125	708,718	493,954	482,582
Maximum number of shares offered to each employee	Unlimited(1)	Unlimited(1)	110	110	110	110
Subscription price (euros)	36.98	48.80	57.31	81.84	73.17	39.94
Associated stock option grant	No	No	No	Yes	No	Yes
TOTAL NUMBER OF STOCK OPTIONS GRANTED	**N/A**	**N/A**	**N/A**	**437,373(2)**	**N/A**	**331,060(2)**

(1) *Except for local regulations.*

(2) *These stock options may no longer be exercised.*

6.1.5 LISTING

Listing on NYSE Euronext (Paris)

The Company's shares are listed on NYSE Euronext (Paris), under Code ISIN FR0000120537 and symbol "LG".

Lafarge S.A.'s shares have been traded on the Paris stock exchange since 1923 and have been part of the French CAC 40 index since its creation on December 31, 1987.

All Lafarge S.A. shares are subject to the same voting right conditions, except for (i) our treasury shares, which at General Meetings bear no voting rights, and (ii) shares held in registered form for over two years, which carry double voting rights.

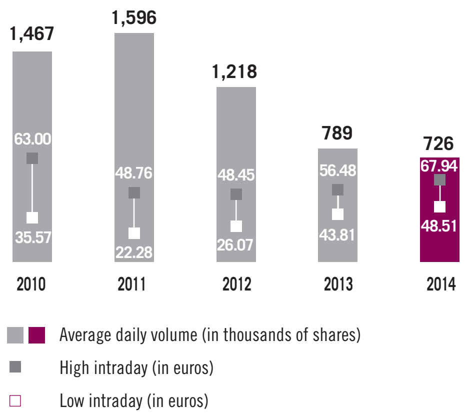
See Section 6.2.5 (Articles of Association (Statuts) for more information.

Transactions and market capitalization

The market capitalization of Lafarge S.A. totaled 16.7 billion euros at December 31, 2014.

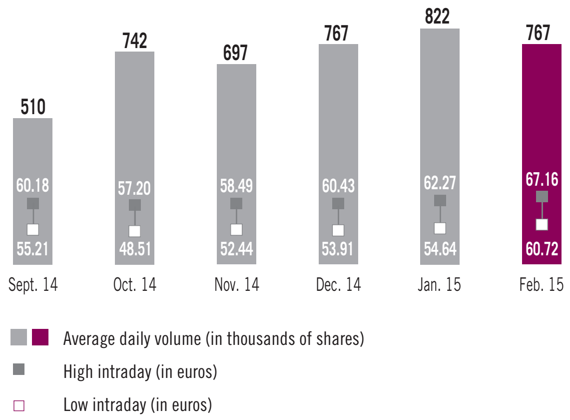
The following tables show the volume and high and low closing price of Lafarge shares, as reported by NYSE Euronext (Paris).

FIVE MOST RECENT FINANCIAL YEARS



Source: NYSE Euronext (Paris).

THE LAST SIX MONTHS



Source: NYSE Euronext (Paris).

American Depository Receipts (ADRs) Program

Since October 8, 2007, Lafarge no longer is listed on the New York stock exchange and is deregistered from the Securities and Exchange Commission.

In addition, Lafarge voluntarily delisted its American Depository Receipts (ADRs) from the New York Stock Exchange on September 13, 2007. The delisting became effective on September 24, 2007. Since its delisting, the Lafarge ADR program has been maintained and ADRs continue to be traded over the counter (level one program).

Each ADR represents a quarter of a share. As of December 31, 2014, 3,620,120 ADRs existed.

6.2 SHARE CAPITAL AND ADDITIONAL INFORMATION

6.2.1 SHARE CAPITAL

As at December 31, 2014, Lafarge S.A.'s share capital amounted to 1,150,166,736 euros divided into 287,541,684 fully paid-up shares, each with a nominal value of 4 euros.

Considering that double voting rights accrue to 125,281,292 shares held in registered form for at least two years, the total number of voting rights attached to the shares for the purpose of computing notification thresholds amounted to 412,822,976 at December 31, 2014.

a) Changes in the share capital during the fiscal year ended December 31, 2014

Lafarge S.A.'s share capital at December 31, 2013 amounted to 1,149,461,588 euros divided into 287,365,397 shares, each with a nominal value of 4 euros.

Since December 31, 2013, the share capital has increased by a total of 176,287 shares as a result of exercises of stock subscription options:

(euros)	Number of shares issued	SUBSCRIPTION AMOUNT Capital	Share premium	Total
Exercise of stock subscription options	176,287	705,148	7,042,030.37	7,747,178.37

b) Potential share capital at December 31, 2014

The number of shares of the Company as at December 31, 2014 could be increased by a maximum of 6,093,284 shares in the hypothetical scenario:

- that stock options granted to employees existing on that date were exercised. 4,487,162 out of the existing 5,752,615 stock options could have been exercised at December 31, 2014. The remaining 1,265,453 stock options can only be exercised upon expiry of a period of four years after their grant and subject to the performance conditions attached to some of these stock options being fulfilled;
- delivery in March 2015, of a maximum 340,669 performance shares[(1)] granted in 2011 and 2012 to certain categories of beneficiaries, existing on December 31, 2014, and subject to the performance conditions attached to some of these shares being fulfilled.

At December 31, 2014, there is no other type of security giving any right, directly or indirectly, to the Company's share capital.

Our Board of Directors has received from our General Meeting held on May 7, 2013, the right to carry out share capital increases through the issue of shares or other equity securities with or without preferential subscription rights for shareholders, the capitalization of reserves, the issue of employee stock subscription options or performance shares, and through the issue of shares reserved for our employees.

See Section 6.2.4 (Authorizations delegated to the Board of Directors) for further information on financial authorizations delegated to the Board of Directors.

(1) *By decisions dated March 16 and 17, 2015, a total of 303,666 shares have been issued to this effect.*

c) Changes in our share capital over the past two financial years

	2014	2013
Share capital at the beginning of the financial year (number of shares)	**287,365,397**	**287,255,502**
Number of shares issued during the period from January 1 to December 31 as a result of	**176,287**	**109,895**
payment of the dividend in shares	-	-
exercise of stock subscription options	176,287	109,895
exercise of stock subscription warrants	-	-
increase in share capital reserved for employees	-	-
issue of new shares	-	-
Number of shares cancelled during the period from January 1 to December 31	-	**-**
Maximum number of shares to be issued in the future as a result of	**6,093,284**	**7,000,955**
exercise of stock subscription options	5,752,615	7,000,955
delivery of performance shares	340,669	-
exercise of stock subscription warrants	-	-
conversion of bonds	-	-
Share capital at the end of the financial year		
a- euros[1]	1,150,166,736	1,149,461,588
b- number of shares	287,541,684	287,365,397

1) *G4-9.*

6.2.2 SHARES OWNED BY THE COMPANY

a) Information on transactions completed during the financial year ending December 31, 2014

The Company held 70,538 shares with a nominal value of 4 euros, as of December 31, 2014, representing 0.02% of its capital stock. The value based on the purchase price of those shares is 3,912,698.10 euros.

All of the 70,538 shares held by the Company at December 31, 2014 are assigned to cover performance share grants.

In 2014, 197,397 shares were used to cover the delivery of performance shares. None of the shares held by the Company have been reassigned to cover different objectives.

The Company has not entered into any liquidity agreement with an investment services provider.

In 2014, the Company carried out the following transactions on its treasury shares:

	PURCHASES			SALES		
	Number of shares purchased	**Average price** (in euros)	**Amounts** (in euros)	**Number of shares sold**	**Average price** (in euros)	**Amounts** (in euros)
2014 financial year	250,000	-	-	197,397[(1)]	-	-

(1) *Delivered to employees as part of performance share plans.*

b) Information on the share buyback program approved on May 7, 2014

Following the announcement of the merger project with Holcim, the AMF has declared that a pre-offer period regarding the securities of Lafarge S.A. started on April 7, 2014, as provided in Section 223-34 of the General Regulation of the AMF. During this period, any securities trading (such as the acquisition, sale, subscription, lending or borrowing of securities or the trading of financial derivatives), is prohibited. This period of restrictions over the securities Lafarge S.A. will close at the end of the contemplated public exchange offer. As a result, since April 7, 2014, the Company cannot implement any share buyback under the program approved on May 7, 2014.

The share buyback program approved by the Shareholders' Meeting on May 7, 2014 has the following features:

Securities	Shares
Maximum percentage of capital that may be authorized	5%
Maximum number of shares that may be acquired	14,368,269[(1)]
Maximum total amount of the program	500 million euros
Maximum unit purchase price	100 euros

(1) *Which is 5% of the capital as of December 31, 2013, subject to adjustment on the date the purchases are made.*

Program objectives:

- the implementation of any Company stock option plan under the terms of articles L. 225-177 *et seq.* of the French Commercial Code or any similar plan;
- the allotment or sale of shares to employees under the French statutory profit-sharing scheme or the implementation of any employee savings plan under applicable legal conditions, in particular articles L. 3332-1 *et seq.* of the French Labor Code;
- the allotment of consideration-free shares pursuant to the terms of articles L. 225-197-1 *et seq.* of the French Commercial Code;
- generally, to fulfill obligations linked with stock option programs or other share allotment schemes in favor of employees or executive officers of the Company or related entities;
- the delivery of shares on the exercise of rights attached to securities giving rights to the capital by redemption, conversion, exchange, presentation of a warrant or any other means;
- the cancellation of some or all of the shares purchased, pursuant to the 20th resolution approved by the Combined General Meeting on May 7, 2013 and according to the terms thereof;
- the delivery of shares (in exchange, as payment, or otherwise) in connection with acquisitions, mergers, demergers or asset-for-share exchanges; or
- market-making in the secondary market or maintenance of the liquidity of Lafarge shares by an investment services provider under a liquidity contract that complies with the ethical code recognized by the *Autorité des marchés financiers*.

Period: 18 months, until November 7, 2015.

As indicated in the table in Section 6.2.2 (Information on transactions completed during the fiscal year ending December 31, 2014) above, the Company has purchased 250,000 of its own shares within the share buyback program in 2014 to cover the delivery of performance shares.

c) Information on the share buyback program to be approved on May 7, 2015

Following the announcement of the merger project with Holcim, the AMF has declared that a pre-offer period regarding the securities of Lafarge S.A. started on April 7, 2014, as provided in article 223-34 of the General Regulation of the AMF. During this period, any securities trading (such as the acquisition, sale, subscription, lending or borrowing of securities or the trading of financial derivatives)is prohibited. This period of restrictions over the securities of Lafarge S.A. will close at the end of the contemplated public exchange offer. As a result and until the end of the merger project, the Company will not be able proceed with the share buyback program to be approved on May 7, 2015.

Nevertheless, the Shareholders' Meeting convened on May 7, 2015 should also be presented with the following share buyback program for approval:

Securities	Shares
Maximum percentage of capital that may be authorized	5%
Maximum number of shares that may be acquired	14,392,267[(1)]
Maximum total amount of the program	500 million euros
Maximum unit purchase price	100 euros

(1) *Which is 5% of the capital as of March 17, 2015, subject to adjustment on the date purchases are made.*

Program objectives:

- the implementation of any Company stock option plan under the terms of articles L. 225-177 *et seq.* of the French Commercial Code or any similar plan;
- the allotment or sale of shares to employees under the French statutory profit-sharing scheme or the implementation of any employee savings plan under applicable legal conditions, in particular articles L. 3332-1 *et seq.* of the French Labor Code;
- the allotment of consideration-free shares pursuant to the terms of articles L. 225-197-1 *et seq.* of the French Commercial Code;
- generally, to fulfill obligations linked with stock option programs or other share allotment schemes in favor of employees or executive officers of the Company or related entities;
- the delivery of shares on the exercise of rights attached to securities giving rights to the capital by redemption, conversion, exchange, presentation of a warrant or any other means;
- the cancellation of some or all of the shares purchased, subject to the approval of the 19th resolution submitted to the Combined General Meeting on May 7, 2015 and according to the terms thereof;
- the delivery of shares (in exchange, as payment, or otherwise) in connection with acquisitions, mergers, demergers or asset-for-share exchanges; or
- market-making in the secondary market or maintenance of the liquidity of Lafarge shares by an investment services provider under a liquidity contract that complies with the ethical code recognized by the Autorité des marchés financiers.

Period: 18 months, until November 7, 2016.

As at February 17, 2015, the Company held 70,538 shares with a nominal value of 4 euros representing 0.02% of its capital stock, all of which are assigned to cover performance share grants.

The Company has no open purchase or sale position in relation to its share buyback program approved on May 7, 2014 on the date of publication of this Registration Document.

6.2.3 SECURITIES NON REPRESENTATIVE OF SHARE CAPITAL – BONDS

To meet the Group's medium and long-term financing needs and to optimize the maturity profile of the Group's debt, Lafarge S.A. issues bonds and other related securities on a regular basis, in particular under its Euro Medium Term Notes program (EMTN).

During the course of 2014, the Company has not made any bond issue or other related securities issue under the EMTN program or any other program.

The maximal nominal outstanding amount under our EMTN program is currently 12,000 million euros. At December 31, 2014, the Company's total nominal outstanding amount of bond issues under the EMTN program is 8,090 million euros. The available balance for new bond issues was therefore 3,910 million euros at December 31, 2014.

At December 31, 2014, the total nominal outstanding amount resulting from Company bond issues, including bond issues made under the EMTN program, is 9,774 million euros.

Our General Meeting held on May 7, 2013 authorized our Board of Directors to issue up to 8,000 million euros of bonds and other related securities for a period of 26 months. At December 31, 2014, an outstanding amount of 7,250 million euros was available for new bonds, as the Company has made one bond issue for an amount of 750 million euros since the authorization granted by the General Meeting held on May 7, 2013.

See Section 2.4.2 (c) (Net cash used in financing activities) and Note 25 (Financial Debt) to the consolidated financial statements for more information on bond issues.

See Section 6.2.4 (Authorizations delegated to the Board of Directors) for further information on financial authorizations delegated to our Board of Directors.

6.2.4 AUTHORIZATIONS DELEGATED TO THE BOARD OF DIRECTORS

a) Authorizations delegated to the Board of Directors by the General Meeting

At March 17, 2015, the Board of Directors of Lafarge S.A. benefited from the following authorizations upon delegation by the General Meetings held on May 7, 2013 and May 7, 2014:

Type of authorization to be voted upon	Maximum amounts	Expiration date	Maximum authorized amount available at March 17, 2015
Authorization to the Company to buy and sell its own shares (GM of May 7, 2014, 9th resolution)	Up to 5% of the share capital Up to 500 million euros Unitary Purchase price up to 100 euros	November 7, 2015	14,392,267 shares
Authorization to issue bonds not giving rise to the allotment of securities of the same nature or to a capital increase (GM of May 7, 2013, 12th resolution)	8 billion euros (nominal value)	July 7, 2015	7.250 billion euros
Delegation of authority to issue securities other than shares giving rise to entitlement to the allotment of debt securities and not giving rise to an increase of the Company's share capital (GM of May 7, 2013, 13th resolution)	8 billion euros(1) (nominal value)	July 7, 2015	7.250 billion euros
Delegation of authority to issue shares and securities giving access to the capital of the Company, with preferential subscription rights (GM of May 7, 2013, 14th resolution)	560 million euros(2) (nominal value)	July 7, 2015	560 million euros
Delegation of authority to issue shares and securities giving access to the share capital of the Company, with cancellation of the preferential subscription right of the shareholders (GM of May 7, 2013, 15th resolution)	112 million euros(3) (nominal value)	July 7, 2015	112 million euros
Delegation of authority to issue shares and securities giving access to the capital of the Company in an offer covered by article L.411-2, II of the French Monetary and Financial Code, with cancellation of the preferential subscription right of the shareholders (GM of May 7, 2013, 16th resolution)	112 million euros(3) (4) (nominal value)	July 7, 2015	112 million euros
Delegation of authority to issue shares and securities giving access to the capital of the Company as payment for contributions in kind (GM of May 7, 2013, 17th resolution)	112 million euros(3) (4) (nominal value)	July 7, 2015	112 million euros
Delegation of authority to increase the number of securities to be issued in case of a capital increase with or without preferential subscription rights (GM of May 7, 2013, 18th resolution)	Up to the amount applicable to the initial issue and to be applied against the cap set forth in the 15th and/or the 14th resolution	July 7, 2015	N/A
Delegation of authority to increase the capital by incorporation of premiums, reserves, profits or other items (GM of May 7, 2013, 19th resolution)	100 million euros(3) (nominal value)	July 7, 2015	100 million euros
Authorization to reduce the share capital through cancellation of treasury shares (GM of May 7, 2015, 20th resolution)	Up to 10% of the share capital for a 24-month period	July 7, 2015	10% of the share capital
Authorization to allot free existing or new shares, with cancellation of the preferential subscription right of the shareholders (GM of May 7, 2013, 21st resolution)	1.5% of the share capital (on grant date)	July 7, 2015	1.38% of the share capital
Authorization to grant options to subscribe for or purchase shares, with cancellation of the preferential subscription right of the shareholders (GM of May 7, 2013, 22nd resolution)	1.5% of the share capital (on grant date)	July 7, 2015	1.5% of the share capital
Delegation of power to issue shares and/or securities giving access to the capital of the Company reserved for members of employee savings plans, with cancellation of the preferential subscription right of the shareholders (GM of May 7, 2013, 23rd resolution)	50 million euros (nominal value)	July 7, 2015	50 million euros

(1) *To be counted towards the overall ceiling set forth in the 12th resolution.*
(2) *Overall ceiling for the 14th, 15th, 16th, 17th, 18th and 19th resolutions.*
(3) *To be counted towards the overall ceiling set forth in the 14th resolution.*
(4) *To be counted towards the ceiling set forth in the 15th resolution.*

USE OF FINANCIAL AUTHORIZATIONS IN 2013

The authorization to issue bonds and other related securities granted in the 12th resolution of the General Meeting held on May 7, 2013 was used on one occasion during the course of 2013 for a bond issuance of a total amount of 750 million euros.

USE OF FINANCIAL AUTHORIZATIONS IN 2014

The Board of Directors made use of the authorization granted in the 21st resolution of the General Meeting held on May 7, 2013 during its meeting on March 11, 2014 by granting 331,745 performance shares.

In addition, the Company proceeded to buy back 250,000 shares to cover the delivery of performance shares by making use of the authorization granted in the 11th resolution of the General Meeting held on May 7, 2013.

See Section 2.4.2 (c) (Net cash provided used in financing activities) and Note 25 (Financial debt) to the consolidated financial statements for more information on bond issues.

USE OF EXISTING FINANCIAL AUTHORIZATIONS IN 2015

In fiscal year 2015 and on the date of this Registration Document, the existing financial authorizations had not been used.

b) Authorizations to be delegated to the Board of Directors by the General Meeting to be held on May 7, 2015

The General Meeting to be held on May 7, 2015 should vote upon the following delegations to the Board of Directors:

Type of authorization to be voted upon	Maximum amounts	Expiration date
Authorization to the Company to buy and sell its own shares (10th resolution)	Up to 5% of the share capital Up to 500 million euros Unitary Purchase price up to 100 euros	November 7, 2016
Authorization to the Board of Directors to issue bonds and securities which are bonds providing entitlement to the allotment of debt securities and not giving rise to an increase of the Company's share capital (11th resolution)	8 billion euros(1) (nominal value)	July 7, 2017
Authorization to the Board of Directors to issue securities which are bonds providing entitlement to the allotment of existing equity securities and not giving rise to an increase of the Company's share capital (12th resolution)	8 billion euros(1) (2) (nominal value)	July 7, 2017
Delegation of authority to the Board of Directors to issue shares and securities entailing a capital increase, with preferential subscription rights (13th resolution)	560 million euros(3) (nominal value)	July 7, 2017
Delegation of authority to the Board of Directors to issue shares and securities entailing a capital increase, with cancellation of the preferential subscription right of the shareholders (14th resolution)	112 million euros(4) (nominal value)	July 7, 2017
Delegation of authority to the Board of Directors to issue shares and securities entailing a capital increase in an offer covered by article L.411-2, II of the French Monetary and Financial Code, with cancellation of the preferential subscription right of the shareholders (15th resolution)	112 million euros(4) (5) (nominal value)	July 7, 2017
Delegation of authority to the Board of Directors to issue shares and securities entailing a capital increase as payment for contributions in kind (16th resolution)	112 million euros(4) (5) (nominal value)	July 7, 2017
Delegation of authority to the Board of Directors to increase the number of securities to be issued in case of a capital increase with or without preferential subscription rights (17th resolution)	Up to the amount applicable to the initial issue and to be applied against the cap set forth in the 15th and/or the 14th resolution	July 7, 2017
Delegation of authority to the Board of Directors to increase the capital by incorporation of premiums, reserves, profits or other items (18th resolution)	100 million euros(4) (nominal value)	July 7, 2017
Authorization to the Board of Directors to reduce the share capital through cancellation of treasury shares (19th resolution)	Up to 10% of the share capital for a 24-month period	July 7, 2017
Authorization to the Board of Directors to allot free existing or new shares, with cancellation of the preferential subscription right of the shareholders (20th resolution)	1.5% of the share capital (on grant date)	July 7, 2017
Authorization to the Board of Directors to grant options to subscribe for or purchase shares, with cancellation of the preferential subscription right of the shareholders (21st resolution)	1.5% of the share capital (on grant date)	July 7, 2017
Delegation of authority to the Board of Directors to issue shares and/or securities entailing a capital increase reserved for members of employee savings plans, with cancellation of the preferential subscription rights of the shareholders (22nd resolution)	50 million euros(4) (6) (nominal value)	July 7, 2017
Delegation of authority to the Board of Directors to issue shares and/or securities entailing a capital increase reserved for a category of beneficiaries as part of a transaction reserved for employees, with cancellation of the preferential subscription rights of the shareholders (23rd resolution)	50 million euros(4) (6) (nominal value)	November 7, 2016

(1) *Subject to a resolutory condition in case of the approval of the 25th resolution at the General Meeting.*
(2) *To be counted towards the overall ceiling set forth in the 11th resolution.*
(3) *Overall ceiling for the 14th, 15th, 16th, 17th, 18th, 22nd and 23rd resolutions.*
(4) *To be counted towards the overall ceiling set forth in the 13th resolution.*
(5) *To be counted towards the ceiling set forth in the 14th resolution.*
(6) *Common overall ceiling for the 22nd and the 23rd resolutions.*

6.2.5 ARTICLES OF ASSOCIATION *(STATUTS)*

The main provisions of the Articles of Association of Lafarge S.A. are summarized below.

a) Corporate purpose

the Company's purpose, in France or abroad, is:

- the acquisition and management of all industrial and financial holdings, including, without limitation:
  - industries relating to cement and other hydraulic binders, construction materials and products or equipment used in homes,
  - refractory product industries,
  - industrial plant engineering and construction,
  - bio-industries and agri-business;
- research and provision of services in any of the above-mentioned fields and in any other field where the skills of the Company and its subsidiaries may be relevant;
- all associations or undertakings, all acquisitions of securities, and all industrial, commercial, financial, agricultural, real and movable property transactions relating directly or indirectly to any of the above-mentioned purposes or such as ensure the development of Company assets.

b) Board of Directors

The Company shall be managed by a Board of Directors composed of the minimum number of directors authorized by the law and not exceeding eighteen directors appointed by the General Meeting of shareholders and chosen from among their number.

The number of Directors over 70 years of age may not exceed one-third of directors in office. If this limit is reached, the oldest Director will be deemed to have resigned automatically at the close of the subsequent Ordinary General Meeting.

Furthermore, Directors may not be more than 73 years of age.

Directors taking office or renewed in office shall be appointed for a term of office of four years. Their term of office shall expire at the end of the Ordinary General Meeting of Shareholders held to approve the financial statements for the preceding financial year that is held in the year during which such Director's office would normally expire or in which such Director reaches the age limit established above.

Directors must each hold at least 1,143 of the Company's shares.

In addition to the Directors appointed by the General Shareholders' Meeting and to the extent that the applicable legal provisions in relation to Directors representing employees apply to the Company, the Board of Directors also includes:

- a Director representing the employees, appointed by the Company's Works Council;
- a second Director representing the employees, appointed by the European Works Council, provided that, and for as long as, the Board of Directors includes more than 12 members appointed by the General Shareholders' Meeting. Should the number of Directors on the Board appointed by the General Meeting fall to 12 or under, the second Director representing the employees will complete his/her mandate, but no new appointment will follow if the composition of the Board remains the same at said date.

The length of the mandate of a Director representing the employees is fixed at four years from his/her appointment.

Should a position of Director representing the employees become vacant - for whatever reason - the replacement Director, appointed by the Company's Works Council - or the European Works Council if applicable - will remain in office until the end of his/her predecessor's mandate. The Board of Directors may meet and issue valid resolutions until a replacement Director is appointed.

If the provisions of article L. 225-27-1 of the French Commercial Code are no longer applicable to the Company at the end of a financial year, the mandates of the Directors representing the employees will come to an end upon the conclusion of the Ordinary Shareholders' Meeting approving the financial statements for that year.

Several provisions of the Articles of Association regarding the Directors appointed by the General Meeting are not applicable to the Directors representing employees, such as the provisions on the age limit of the Directors or the obligation to hold a minimum number of the Company's shares.

This description of the composition of the Board and the status of the Directors is in line with the amendments to the Articles of Association approved by the General Meeting convened on May 7, 2014, namely the new provisions on the age limit applicable to Directors or the provisions setting out the procedure for the appointment of two Directors representing employees at the Board of Directors.

For further information on the representation of employees at the Board of Directors, please refer to Section 3.1 (Board of Directors – Corporate Officers).

The Board of Directors elects a Chairman from among its members. The Chairman of the Board must not be over 65 years of age. The Chairman automatically ceases to perform his/her duties on December 31 of the year in which he/she reaches the age of 65 unless the Board of Directors decides as an exceptional measure to extend the term of office of the Chairman beyond the above-mentioned age limit for successive one-year periods provided that his/her term of office as Director continues for such periods. In this case, the term of office of the Chairman of the Board expires definitively on December 31 of the year in which he/she reaches the age of 67.

See Section 3.1 (Board of Directors-Corporate Officers) for more information on our Board of Directors.

RELATED-PARTY TRANSACTIONS

Agreements between the Company and any member of the Board of Directors are subject to prior approval of the Board unless these agreements are entered into at arms' length in the ordinary course of business. The Director who has an interest in the agreement to be approved by the Board cannot take part in the vote of the Board of Directors. The same applies to agreements to be entered into between the Company and the Chief Executive Officer, a Chief Operating Officer, a shareholder holding more than 10% of the voting rights in the Company or, if such shareholder is a legal entity, a company controlling that shareholder.

DIRECTORS' COMPENSATION

The Shareholders' Meeting can award a fixed annual amount as compensation for the members of the Board of Directors (Directors' fees). The Board can then distribute this amount between its members as it sees fit.

See Section 3.4 (Compensation and benefits) for more information on the amount of compensation awarded to the Directors by the Shareholders' Meeting.

The Board of Directors can authorize the reimbursement of travel expenses and expenses incurred by Directors in the interests of Lafarge. The Board may also award exceptional remuneration to Directors who are members of Committees formed from among its members or who are entrusted with specific tasks or duties.

c) Rights, preferences and restrictions attached to shares

ALLOCATION AND APPROPRIATION OF EARNINGS

The net results of each financial year after deduction of overheads and other Company expenses, including any depreciation and provisions, constitute the Company's profit or loss for that financial year.

The Company contributes 5% of this profit, as reduced by any loss carried forward from previous years, to a legal reserve fund; this contribution is no longer required if the legal reserve fund equals 10% of the Company's issued share capital and becomes compulsory again if the legal reserve fund falls below this percentage of the share capital.

A contribution is also made to other reserve funds in accordance with French law.

The profits remaining after these contributions constitute the profits available for distribution, as increased by any profit carried forward from the previous years, out of which an initial dividend equal to 5% of the nominal value of shares fully paid-up and not redeemed is paid to the shareholders. Such dividends cannot be carried forward from one year to another.

The profits available for distribution remaining after payment of the initial dividend can be allocated to optional reserve funds or carried forward. Any profits remaining are distributed to shareholders as a super dividend.

The Shareholders' General Meeting may also decide to distribute part of the Company's distributable reserves. In such cases, the decision of the shareholders must specify expressly from which reserves the distribution is to be made. In any event, dividends are to be paid first from the financial year's distributable profits.

If the Company has incurred losses, such losses are recorded, after approval of the accounts by the shareholders, in a special balance sheet account and can be carried forward against profits in subsequent years until extinguished.

PAYMENT OF DIVIDENDS

Our Articles of Association provide that the General Meeting may offer shareholders a choice, with respect to all or part of any dividend to be distributed, between payment in cash and payment in new Company shares pursuant to applicable law. Shareholders may be offered the same choice with regard to the payment of interim dividends.

Unclaimed dividends within five years from the date of payment are forfeited and must be paid to the French State, in accordance with French law.

LOYALTY DIVIDEND

Any shareholder who, at the end of the financial year, has held registered shares for at least two years and still holds them at the date of payment of the dividend in respect of the year, will receive in respect of such shares a bonus equal to 10% of the dividend (first and super dividend) paid in respect of other shares held, including any dividend which is paid in new shares. Where applicable, the increased dividend will be rounded down to the nearest centime. Entitlement to the increased dividend is lost upon conversion of the registered shares into bearer form or upon transfer of the registered shares.

Similarly, any shareholder who, at the end of the financial year, has held such registered shares for at least two years and still holds them at the date of an issue by way of capitalization of reserves, retained earnings or issue premiums of bonus shares, will receive additional shares equal to 10% of the number distributed, rounded down to the nearest whole number in the event of fractional shares. The number of shares giving entitlement to such increases held by any one shareholder may not exceed 0.5% of total share capital at the relevant financial year end.

In the event of a dividend paid in shares or bonus issue any additional stock will rank *pari passu* with the stock previously held by the shareholder for the purpose of determining any increased dividend or distribution of bonus shares. However, in the event of fractions:

- where the shareholder opts for payment of dividends in shares, the shareholder may pay a balancing amount in cash to receive an additional share, provided he/she meets the applicable legal requirements;
- in the event of a bonus issue, the rights to any fractions of a share arising from the increase will not be tradeable and the corresponding shares will be sold and the proceeds distributed to the holders of such rights no later than 30 days after the registration in the share account of the whole number of shares allocated to them.

VOTING RIGHTS

Each holder of shares is entitled to one vote per share at any Shareholders' General Meeting. Voting rights attached to shares may be exercised by the holder of the usufruct except where the holder of the usufruct and the beneficial owner agree otherwise and jointly notify the Company at least five days before the date of the meeting.

Double voting rights

Double voting rights are attached to fully paid-up shares registered for at least two years in the name of the same shareholder. In accordance with French law, entitlement to double voting rights is lost upon conversion of the registered shares into bearer form or upon transfer of the registered shares (this does not apply to transfers resulting from inheritance or gifts). Double voting rights were introduced in the Company's Articles of Association over 60 years ago and are exercisable within the limitations set out below.

Adjustment of voting rights

There are no restrictions on the number of voting rights held by each of our shareholders if those rights do not exceed 5% of the voting rights attached to all the shares comprising the Company's share capital. Above this threshold, the number of voting rights is adjusted on the basis of the percentage of the capital represented at the General Meeting rounded upwards to the nearest whole unit. This prevents over-representation of a shareholder when participation at a General Meeting is low, while ensuring that each of our shareholders obtains a percentage of voting rights at least equal to his/her stake in the Company's share capital.

Where applicable, the voting rights held directly or indirectly by a shareholder are added to the voting rights belonging to any third party, with whom such shareholder is acting in concert, as defined by law.

This adjustment mechanism does not apply when the quorum at the General Meeting is greater than two-thirds of the total number of voting rights.

d) Changes to shareholders' rights

Shareholders' rights can only be modified if a resolution to amend our Articles of Association is passed at an Extraordinary General Meeting of the shareholders by a two-thirds majority. Unanimity is, however, required to increase shareholders' obligations. In addition to a vote at the Shareholders' Extraordinary General Meeting, elimination of double voting rights requires ratification by a two-thirds majority at a special meeting of the shareholders benefiting from such rights.

e) Convocation and admission to Shareholders' General Meetings

CONVOCATION OF GENERAL MEETINGS

Shareholders' General Meetings can be called by the Board of Directors or, failing that, by the auditors and any other person legally authorized for such purpose.

The form of notice calling such meeting, which may be transmitted electronically, and the time limits for sending out this notice are regulated by law. The notice must specify the place of the meeting, which may be held at the registered office or any other place, and the agenda of the meeting.

ATTENDANCE AND VOTING AT GENERAL MEETINGS

Shareholders' General Meetings may be attended by all shareholders regardless of the number of shares they hold, provided that all calls of capital contributions due or past due with respect to such shares have been paid in full.

Further to evolutions in European regulations in 2014, access to the General Meeting is open to such shareholders, as well as to their proxies and registered intermediaries who have provided evidence of their entitlement to attend no later than midnight (Paris time) two business days before the date of the General Meeting, including certification that their shares are registered in an account based on actual settled positions. It is not necessary to block shares in order to attend General Meetings. The Board of Directors may, where appropriate, present shareholders with personal admission cards and request production of the cards.

At all General Meetings, shareholders are deemed present for quorum and majority purposes if participating in the General Meeting by videoconference or by any electronic communication means, including internet, that permits them to be identified. The Board of Directors organizes, in accordance with applicable laws and regulations, the participation and voting by such shareholders at the meeting by creating a dedicated site, and verifies the efficacy of the methods adopted to permit shareholder identification and to guarantee their effective participation in the General Meeting.

Shareholders not domiciled in French territory may be represented by an intermediary registered in accordance with applicable laws.

Any shareholder may be represented by proxy, even if the proxy holder is not a shareholder. Shareholders may also vote by mail in accordance with the conditions set out by law.

Shareholders may, pursuant to applicable law and regulations, submit their proxy or mail voting forms in respect of any General Meeting, either in paper form or by a method of electronic communication, provided that such method is approved by the Board of Directors and published in the notices of meeting, no later than 3:00 p.m. (Paris time) the day before the date of the General Meeting. The Board of Directors is authorized to reduce the time limit for the receipt of such forms.

Any shareholder fulfilling the required conditions set out above may attend the General Meeting and take part in the vote, and any previously submitted correspondence vote or previously granted proxy is deemed invalid.

QUORUM

In Ordinary and Extraordinary General Shareholders' Meetings, the calculation of the quorum is based on the total number of shares with voting rights.

Ordinary General Meetings: the quorum for Ordinary General Meetings called pursuant to the first notice of the meeting is only met if the shareholders present, deemed present or represented, hold at least 20% of the shares with voting rights. No quorum is required for a meeting called pursuant to a second notice.

Extraordinary Meetings: a quorum for Extraordinary Meetings is met only if the shareholders present, deemed present or represented at a meeting called pursuant to the first notice, hold 25% of the shares with voting rights, or hold 20% of the shares with voting rights at a meeting called on second notice. If the quorum is not met pursuant to the second notice, the meeting is to be postponed to a date no later than 2 months after the date for which it had been called.

MAJORITY REQUIRED

Resolutions at an Ordinary General Meeting of shareholders are passed by a simple majority of the votes cast by the shareholders present, deemed present or represented.

Resolutions at an Extraordinary General Shareholders' Meeting are passed by a two-thirds majority of the votes cast by the shareholders present, deemed present or represented.

In the event of a capital increase by capitalization of reserves, profits or issue premiums, resolutions are passed in accordance with the voting requirements for Ordinary General Shareholders' Meetings.

f) Disclosure of holdings exceeding certain thresholds

In addition to the legal requirement to disclose holdings exceeding certain thresholds, our Articles of Association provide that any person acting alone or in concert who becomes, directly or indirectly, the owner of 2% or more of our share capital must notify the Company therein. This additional notification requirement is governed by the same provisions that apply to the legal requirement. The Company must be notified, within the time limits provided by law, by registered mail with return receipt requested or by fax or telex, of the number of shares held, indicating whether these are held directly or indirectly and whether the shareholder is acting alone or in concert. The same notification requirement applies to each subsequent increase in ownership of 1%.

Notifications must be made within the same time limits and in the same format for subsequent decreases below the above mentioned thresholds whatever the reason. Notifications must also specify the date on which the threshold was crossed (which corresponds to the date on which the transaction resulting in the crossing of the threshold took place) and the number of shares held giving access to the share capital.

If a person does not comply with this notification requirement, the provisions of the law providing for loss of voting rights apply. If this sanction is not applied automatically, one or more shareholders holding 1% or more of our share capital or voting rights may require a Shareholders' General Meeting to strip the shares in excess of the relevant threshold of voting rights. This penalty is irrespective of any legal sanction that may be issued by a court upon the request of the Chairman, a shareholder or the *Autorité des marchés financiers* (AMF).

The Company may at any time request, under the terms and conditions set forth by applicable law, the entity in charge of settlement of securities transactions to identify the holders of securities conferring immediate or future entitlement to voting rights at General Meetings and to state the number of securities held by each holder and any restrictions on such securities.

See Section 6.1.3 (b) (Threshold notifications imposed by law and declarations of intent) for information on threshold notifications made in the last two financial years.

6.2.6 CHANGE OF CONTROL

Within the framework of the provisions of article L. 225-100-3 of the French Commercial Code, the Company states that it has no specific provisions which may have an incidence in the event of a public exchange offer. The change of control provisions of the Company's principal financing agreements, including those presented in Section 6.2.7 (Material contracts), detail the early reimbursement of the loans in case of a change of control. The EMTN program of the Company includes in its terms and conditions the situation of a change of control accompanied by a lowered financial rating for the Company which could bring about, at the choice of bond holders and subject to certain conditions, the early reimbursement of bonds. In addition, for informational purposes:

- the structure of the Company's capital, the information on the threshold notifications and declaration of intent are set forth in Section 6.1 (Shareholders) and certain provisions of the Articles of Association, including those regarding voting rights, are set forth in Section 6.2.5 (Articles of Association – (*Statuts*));
- as part of the merger project between Lafarge and Holcim which would be finalized by means of a public exchange offer initiated by Holcim on the shares of Lafarge S.A., Groupe Bruxelles Lambert, on the one hand, and Mr Nassef Sawiris and NNS Holding Sàrl, on the other hand, have undertaken to tender all the Lafarge S.A. shares which they respectively held as of April 6, 2014 to the public exchange offer, as well as any additional Lafarge S.A. shares they may acquire in the future. Besides these agreements, no other agreement or provision was communicated the Company as regards to the application of article L. 233-11 of the French Commercial Code.

  See Section 6.1.2 (Shareholders' agreements and shareholders undertakings) for further information on shareholder's agreements in relation to the Holcim merger;
- to the Company's knowledge, there are no agreements between shareholders of the Company which may give rise to restrictions to the transfer of shares and the exercise of the Company's voting rights;
- the severance arrangements which may be due to the Chairman and Chief Executive Officer following a change of control is set forth in Section 3.4.3 (Compensation and benefits paid to the Chairman and Chief Executive Officer);
- In the context of the merger project with Holcim, the Group identified the main obligations related to mandatory public offers, clauses of change of control or other specific legal, regulatory or contractual provisions relating for example to financial instruments, tax, supply agreements, agreements with partners or employee benefit schemes, including pensions, that could have an impact on the completion of the merger. The Group did not identify any impact to be accounted in the consolidated financial statements as at December 31, 2014.

  See *Note 3.1 (Merger project between Lafarge and Holcim) to the consolidated financial statements for more information on the impact of the proposed merger with Holcim*.

6.2.7 MATERIAL CONTRACTS

In the context of the merger project with Holcim, Lafarge and Holcim announced on February 2, 2015 that they had entered into exclusive negotiations with CRH further to a binding commitment regarding the sale of various assets for an enterprise value of 6.5 billion euros.

See Section 1.2.7 (LafargeHolcim, a project for a merger of equals to create the most advanced player in the building materials sector) for further information on the merger project with Holcim.

Lafarge S.A. is party to a new syndicated credit facility entered into on June 3, 2014. This credit facility replaces the original credit facility entered into on October 29, 2014, and amended successively on July 28, 2005, July 27, 2010 and March 19, 2012.

This facility provided a revolving credit line in the amount of 1,500 million euros, with a maturity of three years with two options for the banks to extend the maturity of the credit facility for one year. This syndicated credit facility contains an optional exit mechanism, on an individual basis, if the consolidated net debt to EBITDA ratio is higher than 4.75. Such an event would not be considered an event of default and would have no impact on the status of the Group's other financing arrangements.

We also have a significant number of contracts relating to outstanding bond issues.

See Section 2.4 (Liquidity and capital resources) and Note 25 (Financial Debt) to the consolidated financial statements for further information.

In the context of the merger project with Holcim, the Company has identified the early repayment clauses in the main credit facilities of the Group that could apply as a result of the change of control of Lafarge S.A. further to the merger.

See *Note 3.1 (Merger project between Lafarge and Holcim) to the consolidated financial statements for more information on the impact of the proposed merger with Holcim*.

In addition, we have entered into several agreements in relation to the significant sales and acquisitions mentioned in Section 1.2.8 (Recent acquisitions, partnerships and divestitures). The Company also has entered into a shareholders' agreement with the Sawiris family and NNS Holding Sàrl, further described in Section 6.1.2 (Shareholders' agreements).

6.2.8 INTRA-GROUP RELATIONS

See Note 35 (List of significant subsidiaries, joint ventures and associates at December 31, 2014) to the consolidated financial statements for more information on significant subsidiaries.

Lafarge S.A. is a holding company. We conduct our operations through over 1,000 subsidiaries, of which more than 80% are consolidated. We have a large number of operating companies because we previously conducted our operations through several divisions, our businesses are very local in nature, and we have facilities in 61 countries.

a) Relations between Lafarge S.A. and its subsidiaries

Lafarge S.A.'s relationship with its subsidiaries is that of an industrial holding company and includes a financial component and an assistance component.

The financial component covers the financing by Lafarge S.A. of a large number of its subsidiaries' operations and the transfer of dividends from subsidiaries.

On December 31, 2014, Lafarge S.A. held approximately 91% of the Group's debt excluding put options on shares of subsidiaries. Lafarge S.A. is subject to rating by Standard & Poor's and by Moody's. The Company has access to short-term and long-term financial markets and large global banking networks, and provides the major part of the Group's financing, directly or indirectly, through inter-company loans. Lafarge S.A. draws on its Euro Medium Term Notes program for medium to long-term financing and its commercial paper program for short-term financing.

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Nevertheless, this general financing rule has some exceptions. As an example, if Lafarge S.A. cannot obtain financing through these programs in a subsidiary's local currency, local funding is secured to ensure the subsidiary's operations are financed in the relevant local currency. Furthermore, certain of Lafarge's consolidated subsidiaries, which have minority shareholders, can access the financial markets on their own and, thus, obtain and carry their own financing.

Wherever possible (most subsidiaries located in the euro-zone, as well as the United States, Hungary, Poland, Romania, and the United Kingdom (for operations not transferred to the joint venture with Anglo American) and Switzerland, Lafarge S.A. uses a cash pooling program, through which cash generated by such structures is consolidated daily and managed directly or indirectly by Lafarge S.A. in connection with the financing of the subsidiaries' cash flow requirements.

See Section 2.4 for more information on Liquidity and capital resources.

The assistance component relates to the supply by Lafarge S.A. of administrative and technical support to its subsidiaries. Lafarge S.A. also grants rights to use its brands, patents, and industrial know-how to its various subsidiaries.

The Research & Development activities are managed by Lafarge's Research Center located in Lyon (L'Isle-d'Abeau), France. In addition, since 2011 several laboratories dedicated to construction development have been opened in Lyon, Chongqing, Mumbai, Algiers, Kuala Lumpur and Rio de Janeiro and work in close cooperation with the Research Center in Lyon.

In the Cement Division, technical support services are provided by Lafarge's various Technical Centers located in Lyon, Vienna, Montreal, Atlanta, Beijing, Kuala Lumpur and Cairo.

Subsidiaries are charged for these various services and licenses under patent licenses, or support contracts.

See Section 1.2.3 (Innovation and performance: two strategic levers of Lafarge) for more information.

b) Lafarge's relationship with its subsidiaries' minority shareholders

In addition to Lafarge's listed subsidiaries, which have a broad base of minority shareholders, certain other controlled subsidiaries may have industrial or financial partners, government entities, and former employees or owners dating from a time prior to Lafarge's acquisition, as minority shareholders. In some cases, such minority shareholdings are required by local law or regulations (e.g. in the case of a partial privatization, merger, local regulations, listing on capital markets). In other instances, we have partnered with them to share our business risk. In many cases, we have entered into shareholders' agreements with such minority shareholders providing for Board membership or other similar provisions, shareholders' information rights and control provisions. We have not recently experienced any difficulties in managing these subsidiaries with our partners, which could present a risk to our financial structure.

A limited number of these shareholders' agreements contain exit provisions for our minority shareholders that may be exercised at any time, at certain fixed times, or under specific circumstances, such as a continuing disagreement between Lafarge S.A. and the shareholder or a change in control of the relevant subsidiary or Lafarge S.A. In particular, and by way of example, our shareholders' agreement relating to Lafarge's Cement operations in Morocco contains provisions that enable our partners to buy back our shareholding in this business in the event of a change in control of Lafarge S.A. Similarly, the shareholders' agreements signed in the context of joint ventures with our partners Strabag, for our Cement operations in Eastern Europe (Austria, Hungary, Czech Republic, Slovenia and Slovakia), and Anglo American for our operations in the United Kingdom, allow our respective partners to acquire our stake should we lose the control of our subsidiary carrying the interest in the relevant joint venture.

See Note 25 (f) (Put options on shares of subsidiaries) to the consolidated financial statements for more information on put options on shares of subsidiaries.

In the context of the merger project with Holcim, the Group identified the main obligations related to mandatory public offers, clauses of change of control or other specific legal, regulatory or contractual provisions contained in particular in agreements with partners.

See *Note 3.1 (Merger project between Lafarge and Holcim) to the consolidated financial statements for more information on the impact of the proposed merger with Holcim.*

6.2.9 DOCUMENTS ON DISPLAY

The Articles of Association of the Company, minutes of General Meetings as well as reports from the Board of Directors to the General Meetings, auditors' reports, financial statements of the Company for the last three financial years, and any other document sent to or available for our shareholders in accordance with the law, are available for consultation during the validity period of this Registration Document at our registered office, 61 rue des Belles Feuilles, 75116 Paris.

In addition, historical financial information and regulated information relating to the Group as well as information relating to the Company's General Meetings is available on-line at www.lafarge.com.

CERTIFICATION

We hereby certify that, having taken all reasonable care to ensure that this is the case, the information set out in this Document de Référence is, to the best of our knowledge, true and accurate and that no information has been omitted that would be likely to impair the meaning thereof.

We certify that, to the best of our knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, and of the financial position and results of the Company and of its consolidated subsidiaries, and that the management report of the Annual Financial Report defined on page 324 provides a true and fair view of the evolution of the business, results and financial condition of the Company and of its consolidated subsidiaries, and a description of the main risks and uncertainties the Company and its consolidated subsidiaries are subject to.

We have obtained from our statutory auditors, Deloitte & Associés and Ernst & Young et Autres, a letter asserting that they have reviewed the information regarding the financial condition and the financial statements included in this Document de Référence and that they have read the whole Document de Référence.

Our statutory auditors have established a report on the financial statements presented in this Document de Référence, set out on pages F3 and F81, as well as for those incorporated by reference for the years 2013 and 2012. Each of the statutory auditors' reports on the 2013 and 2014 consolidated financial statements presented on page F3 of the 2013 and 2014 Document de Référence contains a technical observation.

Paris, March 23, 2015

French original signed by

Jean-Jacques Gauthier	Bruno Lafont
Chief Financial Officer	Chairman and Chief Executive Officer

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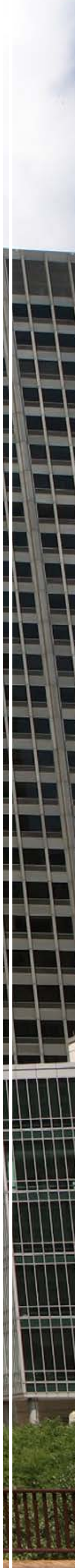
FINANCIAL STATEMENTS



CONSOLIDATED FINANCIAL STATEMENTS

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report also includes information relating to the specific verification of information given in the management report. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

FOR THE YEAR ENDED DECEMBER 31, 2014

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended December 31, 2014, on:

- the audit of the accompanying consolidated financial statements of LAFARGE;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2014 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Without qualifying our opinion, we draw your attention to Note 2.1.2 "Standards and interpretations applicable from January 1, 2014" to the consolidated financial statements which describes the impacts related to the application of IFRS 11 – Joint Arrangements from January 1, 2014.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matters:

- Goodwill, property, plant and equipment, and intangible assets have been tested for impairment in accordance with the Group's accounting policies as described in Note 2.12 "Impairment of non-current assets" to the consolidated financial statements. The estimates used have been prepared based on currently available information at the time of the preparation of the consolidated financial statements and take into consideration the current economic crisis or political instability affecting some of the Group's markets, as described in Note 2.3 "Use of estimates and judgment" to the consolidated financial statements. Therefore, as set out in Note 10 "Goodwill" to the consolidated financial statements, for European countries affected by the economic crisis and for Syria and Iraq, the operating assumptions and discount rates used in future discounted cash flows have been determined based on the specific country environment, for these countries, without taking into consideration any long term major disruption of the economic or geopolitical environment. In addition, the Group performed sensitivity tests on the recoverable amounts to a reasonable possible change of key assumptions (notably sensitivity to a one-point change in the discount rate or the perpetual growth rate) for the main goodwill items.

  Our procedures consisted in reviewing available documents and the implementation of impairment testing, assessing the reasonableness of adopted valuations and the appropriateness of the information disclosed in the notes to the consolidated financial statements.
- Notes 2.3 "Use of estimates and judgment", 2.23 and 22 "Income tax" to the consolidated financial statements specify that the recoverability of the deferred tax assets recognized as at December 31, 2014, notably those arising from the tax losses of the French tax consolidation which can be indefinitely carried forward, has been assessed by the Group on the basis of forecasts of future taxable profits. Our work consisted in reviewing the analysis performed on the recoverability of these assets, assessing the assumptions on which the used forecast data are based and verifying that the information disclosed in Notes 2.23 and 22 is appropriate.

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- As mentioned in the first part of this report, note 2.1.2 " Standards and interpretations applicable from January 1, 2014" to the consolidated financial statements describes the effects of the application as from January 1, 2014 of IFRS 11 - Joint Arrangements. According to IAS 8, the comparative information disclosed in the consolidated financial statements was restated retrospectively to reflect this change in method. As a result, the comparative information is different from the consolidated financial statements published with respect to the previous fiscal year ended December 31, 2013. As part of our assessment of the accounting policies adopted by your Group, we reviewed the comparative data and the information disclosed in Note 2.1.2 to the consolidated financial statements.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATION

As required by law, we have also verified in accordance with professional standards applicable in France the information related to the Group in the management report .

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, March 6, 2015

The Statutory Auditors

DELOITTE & ASSOCIÉS French original signed by		ERNST & YOUNG et Autres French original signed by	
Arnaud de Planta	Frédéric Gourd	Alain Perroux	Nicolas Macé

CONSOLIDATED STATEMENT OF INCOME

		YEARS ENDED DECEMBER 31,	
(million euros, except per share data)	NOTES	2014	2013[(1)]
REVENUE	(4)	**12,843**	**13,091**
Cost of sales		(9,838)	(9,944)
Selling and administrative expenses		(1,124)	(1,210)
OPERATING INCOME BEFORE CAPITAL GAINS, IMPAIRMENT, RESTRUCTURING AND OTHER	(4)	**1,881**	**1,937**
Net gains (losses) on disposals	(5)	292	291
Other operating income (expenses)	(6)	(713)	(295)
OPERATING INCOME		**1,460**	**1,933**
Financial expenses	(8)	(1,034)	(1,122)
Financial income	(8)	164	138
Share of net income (loss) of joint ventures and associates	(14)	69	-
INCOME BEFORE INCOME TAX		**659**	**949**
Income tax	(22)	(385)	(242)
NET INCOME FROM CONTINUING OPERATIONS		**274**	**707**
Net income (loss) from discontinued operations		-	46
NET INCOME		**274**	**753**
Of which attributable to:			
Owners of the parent company		**143**	**601**
Non-controlling interests (minority interests)		131	152
EARNINGS PER SHARE (euros)			
ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY			
Basic earnings per share	(9)	0.50	2.09
Diluted earnings per share	(9)	0.49	2.08
From continuing operations			
Basic earnings per share	(9)	0.50	1.93
Diluted earnings per share	(9)	0.49	1.92
BASIC AVERAGE NUMBER OF SHARES OUTSTANDING (in thousands)	(9)	**287,419**	**287,268**

(1) *Figures have been adjusted as mentioned in Note 2 "Summary of significant accounting policies" following the application of IFRS 11 (See Note 2.1).*
The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	YEARS ENDED DECEMBER 31,	
(million euros)	2014	2013 [(1)]
NET INCOME	**274**	**753**
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains / (losses)	(63)	119
Income tax on items that will not be reclassified to profit or loss	47	(74)
Total items that will not be reclassified to profit or loss	**(16)**	**45**
Items that may be reclassified subsequently to profit or loss		
Available-for-sale financial assets	8	(14)
Cash-flow hedging instruments	(13)	8
Foreign currency translation adjustments	1,193	(1,698)
Income tax on items that may be reclassified to profit or loss	3	(1)
Total items that may be reclassified to profit or loss	**1,191**	**(1,705)**
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	**1,175**	**(1,660)**
of which share of comprehensive income (loss) of joint ventures and associates, net of income tax	*216*	*(32)*
TOTAL COMPREHENSIVE INCOME	**1,449**	**(907)**
Of which attributable to:		
Owners of the parent company	**1,218**	**(928)**
Non-controlling interests (minority interests)	231	21

(1) *Figures have been adjusted as mentioned in Note 2 "Summary of significant accounting policies" following the application of IFRS 11 (See Note 2.1).*

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		AT DECEMBER 31,		AT JANUARY 1
(million euros)	NOTES	2014	2013[1]	2013[1]
ASSETS				
NON CURRENT ASSETS		**28,933**	**28,447**	**29,301**
Goodwill	*(10)*	11,360	11,027	11,953
Intangible assets	*(11)*	349	370	426
Property, plant and equipment	*(12)*	12,052	12,049	13,441
Investments in joint ventures and associates	*(14)*	3,056	3,174	1,550
Other financial assets	*(15)*	739	667	727
Derivative instruments	*(26)*	50	12	27
Deferred tax assets	*(22)*	1,292	1,125	1,141
Other receivables	*(18)*	35	23	36
CURRENT ASSETS		**5,871**	**6,786**	**8,695**
Inventories	*(16)*	1,476	1,425	1,526
Trade receivables	*(17)*	1,597	1,546	1,539
Other receivables	*(18)*	714	680	690
Derivative instruments	*(26)*	123	24	68
Cash and cash equivalents	*(19)*	1,961	3,111	2,606
Assets held for sale		-	-	2,266
TOTAL ASSETS	*(4)*	**34,804**	**35,233**	**37,996**
EQUITY AND LIABILITIES				
Common stock	*(20)*	1,150	1,149	1,149
Additional paid-in capital	*(20)*	9,730	9,712	9,695
Treasury shares	*(20)*	(4)	(1)	(11)
Retained earnings		6,655	6,868	6,477
Other reserves	*(20)*	(884)	(885)	(925)
Foreign currency translation adjustments	*(20)*	(1,194)	(2,288)	(719)
Equity attributable to owners of the parent company		15,453	14,555	15,666
Non-controlling interests (minority interests)	*(20)*	1,836	1,730	1,868
EQUITY		**17,289**	**16,285**	**17,534**
NON CURRENT LIABILITIES		**12,099**	**13,156**	**14,121**
Deferred tax liabilities	*(22)*	847	785	897
Pension & other employee benefits	*(23)*	1,304	1,218	1,476
Provisions	*(24)*	515	504	638
Financial debt	*(25)*	9,371	10,580	11,028
Derivative instruments	*(26)*	2	1	3
Other payables	*(27)*	60	68	79
CURRENT LIABILITIES		**5,416**	**5,792**	**6,341**
Pension & other employee benefits	*(23)*	94	123	102
Provisions	*(24)*	75	104	123
Trade payables		1,897	1,830	1,725
Other payables	*(27)*	1,173	1,211	1,427
Current tax liabilities		106	112	213
Financial debt (including current portion of long-term debt)	*(25)*	2,045	2,398	2,328
Derivative instruments	*(26)*	26	14	52
Liabilities associated with assets held for sale		-	-	371
TOTAL EQUITY AND LIABILITIES	*(4)*	**34,804**	**35,233**	**37,996**

(1) *Figures have been adjusted as mentioned in Note 2 "Summary of significant accounting policies" following the application of IFRS 11 (See Note 2.1).*
The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

		YEARS ENDED DECEMBER 31,	
(million euros)	NOTES	2014	2013[1]
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
NET INCOME		**274**	**753**
NET INCOME FROM DISCONTINUED OPERATIONS		**-**	**46**
NET INCOME FROM CONTINUING OPERATIONS		**274**	**707**
Adjustments for income and expenses which are non cash or not related to operating activities, financial expenses or income tax:			
Depreciation and amortization of assets	*(4)*	840	857
Impairment losses	*(6)*	428	110
Share of net (income) loss of joint ventures and associates	*(14)*	(69)	-
Net (gains) losses on disposals	*(5)*	(292)	(291)
Financial (income) expenses	*(8)*	870	984
Income tax	*(22)*	385	242
Others, net (including dividends received from equity-accounted investments)		(76)	(137)
Change in working capital items, excluding financial expenses and income tax *(see analysis below)*		(92)	(56)
NET OPERATING CASH GENERATED BY CONTINUING OPERATIONS BEFORE IMPACTS OF FINANCIAL EXPENSES AND INCOME TAX		**2,268**	**2,416**
Interests (paid) received		(877)	(835)
Cash payments for income tax		(443)	(476)
NET OPERATING CASH GENERATED BY (USED IN) CONTINUING OPERATIONS		**948**	**1,105**
NET OPERATING CASH GENERATED BY (USED IN) DISCONTINUED OPERATIONS		**-**	**1**
NET CASH GENERATED BY OPERATING ACTIVITIES		**948**	**1,106**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Capital expenditures	*(4)*	(861)	(950)
Investment in subsidiaries*		(76)	(18)
Investment in joint ventures and associates	*(14)*	(10)	(10)
Acquisition of available-for-sale financial assets		(15)	(1)
Disposals**	*(3)/(32)*	1,084	1,069
Net (increase) decrease in long-term receivables		(87)	15
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES FROM CONTINUING OPERATIONS		**35**	**105**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES FROM DISCONTINUED OPERATIONS		**-**	**(2)**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		**35**	**103**

(1) *Figures have been adjusted as mentioned in Note 2 "Summary of significant accounting policies" following the application of IFRS 11 (See Note 2.1).*
The accompanying notes are an integral part of these consolidated financial statements.

		YEARS ENDED DECEMBER 31,	
(million euros)	NOTES	2014	2013[(1)]
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Capital increase (decrease) - owners of the parent company	*(20)*	8	3
Capital increase (decrease) - non controlling interests (minority interests)		-	-
Acquisitions of ownership interests with no gain of control	*(32)*	(13)	(2)
Disposals of ownership interests with no loss of control	*(32)*	21	188
(Increase) / Decrease in treasury shares	*(20)*	(14)	-
Dividends paid	*(20)*	(289)	(289)
Dividends paid by subsidiaries to non controlling interests (minority interests)		(147)	(197)
Proceeds from issuance of long-term debt		612	1,288
Repayment of long-term debt		(2,632)	(1,459)
Increase (decrease) in short-term debt		58	8
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES FROM CONTINUING OPERATIONS		**(2,396)**	**(460)**
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES FROM DISCONTINUED OPERATIONS		**-**	**-**
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**(2,396)**	**(460)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS		**(1,413)**	**750**
Increase (decrease) in cash and cash equivalents from discontinued operations		-	(1)
Net effect of foreign currency translation on cash and cash equivalents and other non monetary impacts		263	(244)
Cash and cash equivalents at beginning of the year		3,111	2,606
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	*(19)*	**1,961**	**3,111**
* *Net of cash and cash equivalents of companies acquired*		*3*	*2*
** *Net of cash and cash equivalents of companies disposed of*		*(16)*	*(126)*
ANALYSIS OF CHANGES IN OPERATING WORKING CAPITAL ITEMS		**(92)**	**(56)**
(Increase)/decrease in inventories		*(32)*	*(51)*
(Increase)/decrease in trade receivables		*(22)*	*(133)*
(Increase)/decrease in other receivables – excluding financial and income tax receivables		*(35)*	*(38)*
Increase/(decrease) in trade payables		*(2)*	*229*
Increase/(decrease) in other payables – excluding financial and income tax payables		*(1)*	*(63)*

(1) *Figures have been adjusted as mentioned in Note 2 “Summary of significant accounting policies” following the application of IFRS 11 (See Note 2.1).*
The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Outstanding shares	Of which Treasury shares	Common stock	Additional paid-in capital	Treasury shares	Retained earnings[1]	Other reserves	Foreign currency translation adjustments	Equity attributable to the owners of the parent company	Non controlling interests[1]	Equity[1]
		(number of shares)		(million euros)								
BALANCE AT JANUARY 1, 2013		**287,255,502**	**157,283**	**1,149**	**9,695**	**(11)**	**6,477**	**(925)**	**(719)**	**15,666**	**1,868**	**17,534**
Net income							601			601	152	753
Other comprehensive income, net of income tax								40	(1,569)	(1,529)	(131)	(1,660)
TOTAL COMPREHENSIVE INCOME							**601**	**40**	**(1,569)**	**(928)**	**21**	**(907)**
Dividends	*(20)*						(289)			(289)	(197)	(486)
Issuance of common stock	*(21)*	109,895			3					3	-	3
Share based payments	*(21)*				14					14	-	14
Treasury shares	*(20)*		(139,348)			10	(10)			-	-	-
Changes in ownership with no gain / loss of control	*(20)*						84			84	97	181
Other movements	*(20)*						5			5	(59)	(54)
BALANCE AT DECEMBER 31, 2013		**287,365,397**	**17,935**	**1,149**	**9,712**	**(1)**	**6,868**	**(885)**	**(2,288)**	**14,555**	**1,730**	**16,285**
BALANCE AT JANUARY 1, 2014		**287,365,397**	**17,935**	**1,149**	**9,712**	**(1)**	**6,868**	**(885)**	**(2,288)**	**14,555**	**1,730**	**16,285**
Net income							143			143	131	274
Other comprehensive income, net of income tax								(19)	1,094	1,075	100	1,175
TOTAL COMPREHENSIVE INCOME							**143**	**(19)**	**1,094**	**1,218**	**231**	**1,449**
Dividends	*(20)*						(289)			(289)	(144)	(433)
Issuance of common stock	*(21)*	176,287		1	7					8	-	8
Share based payments	*(21)*				11					11	-	11
Treasury shares	*(20)*		52,603			(3)	(11)			(14)	-	(14)
Changes in ownership with no gain / loss of control	*(20)*						(35)			(35)	25	(10)
Other movements	*(20)*						(21)	20		(1)	(6)	(7)
BALANCE AT DECEMBER 31, 2014		**287,541,684**	**70,538**	**1,150**	**9,730**	**(4)**	**6,655**	**(884)**	**(1,194)**	**15,453**	**1,836**	**17,289**

(1) *Figures have been adjusted as mentioned in Note 2 "Summary of significant accounting policies" following the application of IFRS 11 (See Note 2.1).*

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 BUSINESS DESCRIPTION

Lafarge S.A. is a French limited liability company *(société anonyme)* governed by French law. The commercial name is "Lafarge". The Company was incorporated in 1884 under the name "J. et A. Pavin de Lafarge". Currently, the by-laws of the Company state its duration until December 31, 2066, unless further extension. The registered office is located at 61 rue des Belles Feuilles, BP 40, 75782 Paris Cedex 16, France. The Company is registered in the Registrar of the Paris Commercial Court (Registre du commerce et des sociétés de Paris) under the number 542105572 RCS Paris.

The Group has a country-based organization *(see Note 4)*.

The Group's shares have been traded on the Paris stock exchange since 1923 and have been a component of the French CAC 40 market index since its creation, and are also included in the CAC All-Tradable index (ex-SBF 250).

As used herein, the terms "Lafarge S.A." or the "parent company" refer to Lafarge a *société anonyme* organized under French law (excluding its consolidated subsidiaries). The terms the "Group" or "Lafarge" refer to Lafarge S.A. together with companies included in the scope of consolidation.

As at February 17, 2015, the Board of Directors prepared and authorized for issue these consolidated financial statements for the year ended December 31, 2014. They will be submitted for approval by the shareholders during the Annual General Meeting to be held on May 7, 2015.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 ACCOUNTING PRINCIPLES

1) Consolidated financial statements preparation basis

The consolidated financial statements of the Group are prepared in accordance with the **International Financial Reporting Standards** ("IFRS") as endorsed by the European Union as of December 31, 2014 and available on the site http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm, which do not differ, for the Group, from the effective IFRS as published by International Accounting Standard Board ("IASB"). Information on the progress of the merger between Lafarge and Holcim is provided in *Note 3.1 "Merger project between Lafarge et Holcim"*. This merger project does not impact the accounting principles applied by the Group as at December 31, 2014.

The consolidated financial statements have been prepared in accordance with the historical cost basis, except for the following, which are measured at fair value:

- derivative financial instruments;
- financial instruments at fair value through statement of income;
- available-for-sale financial assets;
- liabilities for cash-settled share based payment arrangements.

The consolidated financial statements are presented in euros rounded to the nearest million, unless otherwise indicated.

As a first time adopter of IFRS at January 1, 2004, the Group has followed the specific prescriptions of IFRS 1 which govern the first-time adoption. The options selected for the purpose of the transition to IFRS are described in the following Notes.

2) Standards and interpretations applicable from January 1, 2014

The new IFRS standards, amendments and interpretations effective from January 1, 2014 had no material impact on the Group consolidated financial statements at December 31, 2014, except for IFRS 11 "Joint arrangements" and IFRS 12 "Disclosures of interests in other entities" that have been applied retrospectively as at January 1, 2013.

For the first application of IFRS 12, the Group assessed the materiality of non-controlling interests, joint ventures and associates based on key indicators such as Group's total assets, liability (excluding equity), revenue or Ebitda[(1)].

NEW STANDARDS AND AMENDMENTS EFFECTIVE FROM JANUARY 1, 2014 WITH NO MATERIAL IMPACT ON THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

- IFRS 10 – Consolidated financial statements.
- IAS 27 revised – Separate financial statements.
- IAS 28 revised – Investments in associates and joint ventures.
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance.
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities.
- Amendments to IAS 32 – Financial instruments: Presentation – Offsetting financial assets and financial liabilities.
- Amendments to IAS 39 – Novation of derivatives and continuation of hedge accounting.

FIRST APPLICATION OF IFRS 11 – JOINT ARRANGEMENTS

From January 1, 2014, the Group applies IFRS 11 - Joint Arrangements, retrospectively as at January 1, 2013. The adoption of IFRS 11 resulted in the Group changing its accounting policy for the recognition of its interests in joint arrangements. The Group has conducted a review of all the joint arrangements; based on this review they are qualified as joint ventures. As a result, these joint ventures previously consolidated using proportionate consolidation method, are now accounted for using the equity method *(see Note 35 – List of principal subsidiaries, joint ventures and investments in associates at December 31, 2014)*.

(1) *Defined as the total of operating income before capital gains, impairment losses, restructuring and others, before depreciation and amortization of property, plant and equipment and intangible assets (See Note 4).*

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The tables below present the impact of this change of method on the statement of income, the statement of comprehensive income, the statement of financial position, the statement of cash flows and the changes in equity:

	DECEMBER 31, 2013		
Statement of income (million euros, except per share data)	**Published**	**IFRS 11 impact**	**Restated**
REVENUE	**15,198**	(2,107)	**13,091**
Cost of sales	(11,740)	1,796	(9,944)
Selling and administrative expenses	(1,383)	173	(1,210)
OPERATING INCOME BEFORE CAPITAL GAINS, IMPAIRMENT, RESTRUCTURING AND OTHER*	**2,075**	**(138)**	**1,937**
Net gains (losses) on disposals	295	(4)	291
Other operating income (expenses)	(350)	55	(295)
OPERATING INCOME	**2,020**	**(87)**	**1,933**
Financial expenses	(1,177)	55	(1,122)
Financial income	136	2	138
Share of net income (loss) of joint ventures and associates	19	(19)	-
INCOME BEFORE INCOME TAX	**998**	**(49)**	**949**
Income tax	(262)	20	(242)
NET INCOME FROM CONTINUING OPERATIONS	**736**	**(29)**	**707**
Net income from discontinued operations	46	-	46
NET INCOME	**782**	**(29)**	**753**
* Of which:			
Ebitda	3,102	(308)	2,794
Depreciation and amortization	(1,027)	170	(857)
Of which attributable to:			
Owners of the parent company	**601**	**-**	**601**
Non-controlling interests(minority interests)	181	(29)	152
EARNINGS PER SHARE (euros)			
ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY			
Basic earnings per share	2.09	-	2.09
Diluted earnings per share	2.08	-	2.08
From continuing operations			
Basic earnings per share	1.93	-	1.93
Diluted earnings per share	1.92	-	1.92

	DECEMBER 31, 2013		
Statement of comprehensive income (million euros)	**Published**	**IFRS 11 impact**	**Restated**
NET INCOME	**782**	(29)	**753**
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains / (losses)	119	-	119
Income tax on items that will not be reclassified to profit or loss	(74)	-	(74)
Total items that will not be reclassified to profit or loss	**45**	**-**	**45**
Total items that may be reclassified to profit or loss	**(1,706)**	**1**	**(1,705)**
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX	**(1,661)**	**1**	**(1,660)**
TOTAL COMPREHENSIVE INCOME	**(879)**	(28)	**(907)**
Of which attributable to:			
Owners of the parent company	**(928)**	**-**	**(928)**
Non-controlling interests (minority interests)	49	(28)	21

Consolidated statement of financial position (million euros)	AT JANUARY 1, 2013 Published	IFRS 11 impact	Restated	AT DECEMBER 31, 2013 Published	IFRS 11 impact	Restated
ASSETS						
NON-CURRENT ASSETS	**30,180**	**(879)**	**29,301**	**29,358**	**(911)**	**28,447**
Goodwill	12,184	(231)	11,953	11,612	(585)	11,027
Intangible assets	620	(194)	426	574	(204)	370
Property, plant and equipment	14,992	(1,551)	13,441	14,752	(2,703)	12,049
Investments in joint ventures and associates	470	1,080	1,550	643	2,531	3,174
Other financial assets	698	29	727	656	11	667
Derivative instruments	27	-	27	12	-	12
Deferred tax assets	1,149	(8)	1,141	1,082	43	1,125
Other receivables	40	(4)	36	27	(4)	23
CURRENT ASSETS	**9,284**	**(589)**	**8,695**	**7,717**	**(931)**	**6,786**
Inventories	1,662	(136)	1,526	1,621	(196)	1,425
Trade receivables	1,762	(223)	1,539	1,929	(383)	1,546
Other receivables	779	(89)	690	797	(117)	680
Derivative instruments	68	-	68	24	-	24
Cash and cash equivalents	2,733	(127)	2,606	3,346	(235)	3,111
Assets held for sale	2,280	(14)	2,266	-	-	-
TOTAL ASSETS	**39,464**	**(1,468)**	**37,996**	**37,075**	**(1,842)**	**35,233**
EQUITY & LIABILITIES						
Equity attributable to owners of the parent company	**15,666**	**-**	**15,666**	**14,555**	**-**	**14,555**
Non-controlling interests	2,082	(214)	1,868	1,951	(221)	1,730
EQUITY	**17,748**	**(214)**	**17,534**	**16,506**	**(221)**	**16,285**
NON CURRENT LIABILITIES	**14,451**	**(330)**	**14,121**	**13,620**	**(464)**	**13,156**
Deferred tax liabilities	973	(76)	897	915	(130)	785
Pension & other employee benefits	1,492	(16)	1,476	1,234	(16)	1,218
Provisions	637	1	638	591	(87)	504
Financial debt	11,261	(233)	11,028	10,805	(225)	10,580
Derivative instruments	8	(5)	3	1	-	1
Other payables	80	(1)	79	74	(6)	68
CURRENT LIABILITIES	**7,265**	**(924)**	**6,341**	**6,949**	**(1,157)**	**5,792**
Pension & other employee benefits	102	-	102	123	-	123
Provisions	127	(4)	123	124	(20)	104
Trade payables	1,985	(260)	1,725	2,224	(394)	1,830
Other payables	1,567	(140)	1,427	1,447	(236)	1,211
Current tax liabilities	220	(7)	213	125	(13)	112
Financial debt (including current portion of long-term debt)	2,823	(495)	2,328	2,891	(493)	2,398
Derivative instruments	53	(1)	52	15	(1)	14
Liabilities associated with assets held for sale	388	(17)	371	-	-	-
TOTAL EQUITY AND LIABILITIES	**39,464**	**(1,468)**	**37,996**	**37,075**	**(1,842)**	**35,233**

Consolidated statement of cash flows (million euros)	DECEMBER 31, 2013 Published	IFRS 11 impact	Restated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
NET INCOME	**782**	**(29)**	**753**
NET INCOME FROM DISCONTINUED OPERATIONS	**46**	**-**	**46**
NET INCOME FROM CONTINUING OPERATIONS	**736**	**(29)**	**707**
Depreciation and amortization of assets	1,027	(170)	857
Impairment losses	125	(15)	110
Share of net income (loss) of joint ventures and associates	(19)	19	-
Net (gains) losses on disposals, net	(295)	4	(291)
Financial (income) / expenses	1,041	(57)	984
Income tax	262	(20)	242
Others, net (including dividends received from equity-accounted investments)	(168)	31	(137)
Change in working capital items, excluding financial expenses and income tax *(see analysis below)*	(36)	(20)	(56)
NET OPERATING CASH GENERATED BY CONTINUING OPERATIONS BEFORE IMPACTS OF FINANCIAL EXPENSES AND INCOME TAX	**2,673**	**(257)**	**2,416**
Cash payments for financial expenses	(893)	58	(835)
Cash payments for income tax	(525)	49	(476)
NET OPERATING CASH GENERATED BY CONTINUING OPERATIONS	**1,255**	**(150)**	**1,105**
NET OPERATING CASH GENERATED BY (USED IN) DISCONTINUED ACTIVITIES	**1**	**-**	**1**
NET CASH GENERATED BY (USED IN) OPERATING ACTIVITIES	**1,256**	**(150)**	**1,106**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES			
Capital expenditures	(1,051)	101	(950)
Investment in subsidiaries*	(15)	(3)	(18)
Investment in joint ventures and associates	-	(10)	(10)
Acquisition of available-for-sale financial assets	(1)	-	(1)
Disposals**	1,105	(36)	1,069
(Increase) decrease in long-term receivables	1	14	15
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES FROM CONTINUING OPERATIONS	**39**	**66**	**105**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES FROM DISCOUNTINUED OPERATIONS	**(2)**	**-**	**(2)**
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**37**	**66**	**103**

	DECEMBER 31, 2013		
Consolidated statement of cash flows (million euros)	**Published**	**IFRS 11 impact**	**Restated**
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Capital increase (decrease) - owners of the parent company	3	-	3
Capital increase (decrease) - non-controlling interests	-	-	-
Acquisitions of ownership interests with no gain of control	(2)	-	(2)
Disposal of ownership interests with no loss in control	188	-	188
Dividends paid	(289)	-	(289)
Dividends paid by subsidiaries to non-controlling interests	(218)	21	(197)
Proceeds from issuance of long-term debt	1,410	(122)	1,288
Repayment of long-term debt	(1,561)	102	(1,459)
Increase (decrease) in short-term debt	9	(1)	8
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES FROM CONTINUING OPERATIONS	**(460)**	**-**	**(460)**
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES FROM DISCONTINUED OPERATIONS	**-**	**-**	**-**
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**(460)**	**-**	**(460)**
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS	**834**	**(84)**	**750**
Increase (decrease) in cash and cash equivalents from discontinued operations	(1)	-	(1)
Net effect of foreign currency translation on cash and cash equivalents and other non monetary impacts	(220)	(24)	(244)
Cash and cash equivalents at beginning of the year/period	2,733	(127)	2,606
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	**3,346**	**(235)**	**3,111**
* *Net of cash and cash equivalents of companies acquired*	*5*	(3)	*2*
** *Net of cash and cash equivalents of companies disposed of*	*(100)*	*(26)*	*(126)*
ANALYSIS OF CHANGES IN WORKING CAPITAL ITEMS	**(36)**	**(20)**	**(56)**
(Increase) / decrease in inventories	(46)	(5)	(51)
(Increase) / decrease in trade receivables	(172)	39	(133)
(Increase) / decrease in other receivables – excluding financial and income tax receivables	(10)	(28)	(38)
Increase / (decrease) in trade payables	233	(4)	229
Increase / (decrease) in other payables – excluding financial and income tax payables	(41)	(22)	(63)

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The application of IFRS 11 had no impact on equity Group's share but had the following impact on equity attributable to non-controlling interests (minority interests):

	DECEMBER 31, 2013		
Changes in equity attributable to non-controlling interests (minority interests) (million euros)	**Published**	**IFRS 11 impact**	**Restated**
Balance at January 1, 2013 attributable to non-controlling interests	**2,082**	**(214)**	**1,868**
Net income	181	(29)	152
Other comprehensive income, net of income tax	(132)	1	(131)
Total comprehensive income for the period	***49***	***(28)***	***21***
Dividends	(216)	19	(197)
Changes in ownership with no gain/loss of control	102	(5)	97
Other movements	(66)	7	(59)
Balance at December 31, 2013 attributable to non-controlling interests	**1,951**	**(221)**	**1,730**

EARLY APPLICATION OF STANDARDS AND INTERPRETATIONS

Standards, Amendments and Interpretations to existing standards that are not effective as at January 1, 2014 have not been early adopted by the Group *(see Note 2.27)*.

2.2 PRINCIPLES OF CONSOLIDATION

Subsidiaries

Investments (including Special Purpose Entities) over which the Group exercises control are fully consolidated. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, substantive potential voting rights are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control begins until the date that control ceases. The net income attributable to third parties is presented on the line "Non-controlling interests" in the statement of financial position, even if it can create negative non-controlling interests.

Joint ventures and associates

As of January 1, 2014, the Group applies IFRS 11 "Joint arrangements", retrospectively on January 1, 2013 *(see Note 2.1)*. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has conducted a review of all the joint arrangements and concluded that they are joint ventures.

Investments over which the Group exercises significant influence on the financial and operating policies, but does not exercises control or joint control, are referred to as "associates" throughout the consolidated financial statements. Significant influence is presumed to exist when the Group holds at least 20% of the voting rights of associates.

Investments in joint ventures and associates are accounted for using the equity method.

Equity accounted investees are initially recognized at cost except if the Group previously controlled the investee. The consolidated financial statements include the Group's share of the income and expenses recorded by the entity, after taking into account adjustments for compliance of accounting policies with those of the Group. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation to contribute to losses or to make payments on behalf of the investee.

Transactions eliminated on consolidation

All intercompany balances and transactions have been eliminated for fully consolidated companies.

Gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

2.3 USE OF ESTIMATES AND JUDGMENT

The preparation of consolidated financial statements requires the Group's management to exercise judgment, to make estimates and to use assumptions that affect the reported amounts of assets, liabilities, revenues or expenses and disclosures.

The management of the Group revises its estimates and assumptions on a regular basis to ensure that they are relevant regarding the past experience and the current environment. Such estimates are prepared on the basis of a going concern assumption without taking into account the planned merger with Holcim *(see Note 3.1)*. They are established based on currently available information and take into account the current economic crisis or political instability affecting some of the Group's markets. These assumptions do not reflect any major disruption of the economical or geopolitical environment. Estimates may be revised in case of changes in circumstances used for the estimate or new information. Actual amounts could differ from the estimates. The main estimates and judgments made by the management for the preparation of the financial statements concern the following items:

- impairment tests of non-current assets *(see Note 2.12 and Note 10 c)*: the determination of recoverable amounts of the Cash Generating Units (CGUs) / groups of CGUs assessed in the impairment test requires an estimate of their fair value less costs to sell or of their value in use. The assessment of the recoverable value requires assumptions to be made with respect to the operating cash flows of the CGUs/groups of CGUs as well as the discount rates and perpetual growth rate;
- deferred tax *(see Note 2.23 and Note 22)*: the recognition of deferred tax assets requires assessment of future taxable profit;

- pension plans, termination benefits and other post-employment benefits *(see Note 2.20 and Note 23):* the actuarial techniques used to assess the value of the defined benefit plan involve financial assumptions (discount rate, pension indexation rate, medical costs trend rate) and demographic assumptions (life expectancy, employee's turnover rate etc.). The Group uses the assistance of an external independent actuary in the assessment of these assumptions;
- provisions for environmental risks and site restoration *(see Note 2.21 and Note 24):* provisions for environmental risks and site restoration require setting assumptions in terms of phasing and discount rate;
- provisions for litigation *(see Note 24 and Note 29):* the litigation and claims to which the Group is exposed are assessed by the Legal department. In certain situations, the Legal department may use the assistance of external specialised lawyers. Disclosures related to these provisions also require judgment;
- financial instruments *(see Note 2.19, Note 25 and Note 26):* the fair value of financial instruments is estimated on the basis of their market quotations, on valuation techniques relying on observable market data or by estimating the present value of future cash flows. The use of different valuations, methodologies and assumptions may have a material effect on the estimated fair value amounts. For financial liabilities recorded at amortized cost, the Group assesses events/circumstances of the period that may lead to revise the future payments and estimates the most probable scenario to determine if the carrying value of the financial liability shall be adjusted accordingly to IAS 39 principles;
- principles of consolidation *(see Note 35)*: assessing the level of control, and particularly when defining relevant activities and identifying substantial rights, requires judgment depending on the facts and circumstances;
- in the context with the merger project between Lafarge and Holcim *(see Note 3.1):* relating to the list of assets proposed for divestment subject to completion of the merger, the Group considers that the criteria for the application of IFRS 5 are not met as at December 31, 2014 or as at February 17, 2015.

2.4 FOREIGN CURRENCIES TRANSLATION

1) Foreign currency transactions

Transactions in foreign currencies are recorded in the respective functional currencies of the entities of the Group by applying the exchange rate at the date of the transactions.

At each reporting date, monetary assets and liabilities denominated in foreign currencies recorded at historical cost are translated using the functional currency closing rate, whereas those measured at fair value are translated using the exchange rates at the date at which the fair value was determined. Non-monetary assets and liabilities in a foreign currency that are measured at historical cost are translated using the exchange rates at the date of the transaction.

All exchange differences arising from those translations are recorded in profit and loss of the period, with the exception of differences on monetary items that are designated as part of the hedge of the Group's net investment in a foreign entity. These are reflected directly in other comprehensive income, until the disposal of the net investment.

2) Foreign operations

The assets and liabilities, including goodwill and any fair value adjustments arising on the acquisition of a foreign operation whose functional currency is not the euro, are translated by using the closing rate.

Income and expenses of a foreign entity, whose functional currency is not the currency of a hyperinflationary economy, are translated by using the average currency rate for the period unless exchange rates fluctuate significantly.

The exchange differences arising on the translation are recorded in other comprehensive income under "Foreign currency translation". On the partial or total disposal of a foreign entity with a loss of control, the related share in the cumulative translation differences recorded in equity is recognized in the statement of income.

In accordance with IFRS 1, the Group elected to "reset to zero" as at January 1, 2004, cumulative translation differences arising from the translation into euros of foreign subsidiaries' financial statements denominated in foreign currencies. As a consequence, they will not be included when calculating gains or losses arising from the future disposal.

For companies that operate in hyperinflationary countries, amounts in the statement of financial position not yet expressed in terms of the current measuring unit at the reporting date are restated by applying the most relevant general price index. Revenues and expenses in local currency are also restated on a monthly basis. Differences between original values and reassessed values are included in statement of income. In defining hyperinflation, the Group employs criteria which include characteristics of the economic environment, such as inflation and foreign currency exchange rate fluctuations.

The schedule below presents foreign exchange rates for the main currencies used within the Group:

Rates (Euros)	2014		2013	
	Average rate	Year-end rate	Average rate	Year-end rate
US dollar (USD)	1.3285	1.2141	1.3281	1.3791
Canadian dollar (CAD)	1.4661	1.4063	1.3683	1.4671
British pound (GBP)	0.8061	0.7789	0.8492	0.8337
Brazilian real (BRL)	3.1211	3.2207	2.8671	3.2576
Chinese yuan (CNY)	8.1857	7.5358	8.1648	8.3491
Algerian dinar (DZD)	106.9013	106.9191	105.4004	106.8920
Egyptian pound (EGP)	9.3942	8.6763	9.1299	9.5675
Indian rupee (INR)	81.0406	76.7190	77.8675	85.3660
Indonesian rupiah (IDR)	15,748.9180	15,076.1000	13,858.5416	16,764.7800
Iraqi dinar (IQD)	1,612.4853	1,477.5597	1,635.2417	1,682.5020
Jordanian dinar (JOD)	0.9426	0.8620	0.9451	0.9807
Kenyan shilling (KES)	116.8564	110.1700	114.5385	119.3287
Korean won (KRW)	1,398.1424	1,324.8000	1,453.6235	1,450.9300
Moroccan dirham (MAD)	11.1554	10.9695	11.1889	11.2640
Malaysian ringgit (MYR)	4.3446	4.2473	4.1855	4.5221
Nigerian naira (NGN)	207.4873	203.5460	206.9221	214.4145
Philippine peso (PHP)	58.9788	54.4360	56.4115	61.2890
Polish zloty (PLN)	4.1843	4.2732	4.1972	4.1543
Romanian leu (RON)	4.4437	4.4828	4.4192	4.4710
Russian rouble (RUB)	50.9518	72.3370	42.3237	45.3246
South African rand (ZAR)	14.4037	14.0353	12.8313	14.5660
Syrian pound (SYP)	201.5970	219.9250	145.3404	196.2700
Zambian kwacha (ZMW)	8.1760	7.7599	7.1738	7.5994

2.5 BUSINESS COMBINATIONS, ACQUISITION OF ADDITIONAL INTERESTS AND DISPOSAL OF INTERESTS

1) Business combinations

Business combinations are accounted for in accordance with the acquisition method. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date, except for non-current assets held for sale which are recognized and measured at fair value less costs to sell in accordance with IFRS 5.

When goodwill is determined provisionally by the end of the reporting period in which the acquisition is completed, the Group recognizes any adjustments to those provisional values within one year of the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date. If the adjustments to provisional values would have materially affected the presentation of the consolidated financial statements, comparative information which was presented for the periods before the final accounting of fair values is corrected as if the initial accounting had been completed as of the acquisition date.

At the acquisition date, the goodwill is measured as the difference between:

- the fair value of the consideration transferred to take control over the entity, including contingent consideration, plus the amount of any non-controlling interests in the acquiree, and in a business combination achieved in stages, the fair value at acquisition date of the previously held equity interest in the acquiree, accordingly revaluated through the statement of income; and
- the fair value of the identifiable assets acquired and the liabilities assumed on the acquisition date.

Any contingent consideration payable in a business combination is accordingly measured at fair value at the acquisition date. After the acquisition date, the contingent consideration is revalued at fair value at each reporting date. Subsequent changes to the fair value of the contingent consideration beyond one year from the acquisition date will be recognized in the statement of income if the contingent consideration is a financial liability.

A negative goodwill is recognized immediately in the statement of income.

Acquisition costs directly attributable to the business combination, excluding costs to issue debt and equity securities, are expensed as incurred and are presented in the consolidated statement of income on the line "Other operating income (expenses)".

When a business combination is entered into with an interest ownership below 100%, IFRS 3 revised standard allows, on a transaction-by-transaction basis, to account for goodwill either on a 100% basis or on the acquired interest ownership percentage (without any subsequent change in case of additional purchase of non-controlling interests). The non-controlling interests are accordingly measured either at fair value or at the non-controlling interests' proportionate share in the acquiree's net identifiable assets.

SPECIFIC TREATMENT RELATED TO FIRST-TIME ADOPTION OF IFRS (BUSINESS COMBINATIONS BEFORE JANUARY 1, 2004)

As permitted by IFRS 1, the Group has not restated the business combinations which predate the transition date (January 1, 2004).

In addition, under French accounting principles, before January 1, 2004, non-amortizable intangible assets such as market share, have been recognized through the purchase price allocation. These assets are not considered as a separately identifiable intangible asset under IAS 38, "Intangible Assets". They have been reclassified to goodwill as at January 1, 2004.

2) Acquisition of additional interests after control is obtained

Since there is no change on the control exercised over this entity, the difference between the acquisition price and the carrying amount of the non-controlling interests acquired is recognised directly in equity and attributed to the owners of the parent company with no change in the consolidated carrying amount of the subsidiary's net assets and liabilities including goodwill. The cash consideration paid, net of acquisition costs, is reflected as cash flows from financing activities in the consolidated statement of cash flows.

3) Disposal of interests after control is obtained

DISPOSAL OF INTERESTS WITHOUT LOSS OF CONTROL

Since there is no change on the control exercised over this entity, the difference between the fair value of the consideration received and the carrying amount of the interests disposed of at transaction date is recognised directly in equity and attributed to the owners of the parent company with no change in the consolidated carrying amount of the subsidiary's net assets and liabilities. The cash consideration received, net of sale costs and tax paid, is reflected as cash flows from financing activities in the consolidated statement of cash flows.

DISPOSAL OF INTERESTS WITH LOSS OF CONTROL

The loss of control triggers the recognition of a gain (loss) on disposal determined on both shares sold and retained at the transaction date. Any investment retained is accordingly measured at its fair value through the statement of income upon the date the control is lost. The cash part of the consideration received net of associated disposal costs, tax paid and cash and cash equivalents disposed of, is reflected as investing activities cash flows on the line "Disposals" of the consolidated statement of cash flows.

2.6 REVENUE RECOGNITION

Revenue represents the value, before sales tax, of products and services sold by consolidated entities as part of their ordinary activities, after elimination of intra-Group sales.

Revenue is recorded when the Group has transferred the significant risks and rewards of ownership (generally at the date ownership is transferred) and recovery of the consideration is probable.

Revenue is measured at the fair value of the consideration received or receivable net of return, taking into account the amount of any trade discounts and volume rebates.

Amounts billed to a customer in a sales transaction related to shipping and handling are included in "Revenue". Costs incurred for shipping and handling are classified as "Cost of sales".

2.7 OPERATING INCOME BEFORE CAPITAL GAINS, IMPAIRMENT, RESTRUCTURING AND OTHER

The Group presents the sub-total "Operating income before capital gains, impairment, restructuring and other" in the consolidated statement of income. This measure excludes those elements of our operating income that are by nature unpredictable in their amount and/or in their frequency, such as capital gains, asset impairments and restructuring costs. While these amounts have been incurred in past years and may recur in the future, historical amounts are not indicative of the nature and/or amount of these expenses, if any, in the future. The Group believes that the sub-total "Operating income before capital gains, impairment, restructuring and other" allows to better identify the current operating performance, and provides to the users of financial statements a useful information for a predictive approach of the results.

In addition, "Operating income before capital gains, impairment, restructuring and other" is a major component of the Group's key profitability measure: return on capital employed. This ratio is calculated by dividing the sum of "Operating income before capital gains, impairment, restructuring and other" and the share of net income (loss) of joint ventures and associates by the average of capital employed. This measure is used by the Group internally to: a) manage and assess the results of its operations and those of its business segments, b) make decisions with respect to investments and allocation of resources, and c) assess the performance of management personnel. However, because this measure has limitations as outlined below, the Group restricts its use to these purposes.

This sub-total within operating income may not be comparable to similarly titled measures used by other groups. Further, this measure should not be considered as an alternative for operating income as the effects of capital gains, impairment, restructuring and other amounts excluded from this measure do ultimately affect our operating results and cash flows. Accordingly, the Group also presents "Operating income" within the consolidated statement of income which encompasses all amounts which affect the Group's operating results and cash flows.

2.8 FINANCIAL EXPENSES AND INCOME

Financial expenses and income comprise:

- interest charges and income relating to debenture loans, the liability component of compound instruments, other borrowings including lease-financing liabilities, and cash and cash equivalents;
- other expenses paid to financial institutions for financing operations;
- dividends received from non-consolidated investments;
- impact of discounting provisions and long-term receivables;
- financial component of the net pension costs;
- financial foreign currency exchange gains and losses;
- gains on the disposal of available-for-sale financial assets;
- impairment losses recognised on available-for-sale financial assets;

- gains and losses associated with certain derivative instruments (except for the effective portion of derivative instruments qualified as cash flow hedge or net investment hedge);
- change in value of derivative instruments held for trading.

2.9 EARNINGS PER SHARE

Basic earnings per share are computed by dividing the net income attributable to the owners of the parent company by the weighted average number of common shares outstanding during the year.

Diluted earnings per share are computed by dividing adjusted net income attributable to the owners of the parent company by the weighted average number of common shares outstanding during the year adjusted to include any potential dilutive common shares.

Potential dilutive common shares result from stock options and performance shares issued by the Group.

2.10 INTANGIBLE ASSETS

Intangible assets primarily include depreciable items such as software, mineral rights, and real estate development rights, as well as certain development costs that meet the IAS 38 criteria.

Intangible assets are amortized using the straight-line method over their useful lives ranging from three to seven years, except for mineral rights, which are amortized based upon tonnes extracted, and real estate development rights, which are amortized over the estimated life of the program.

Depreciation expense is recorded in “Cost of sales” and “Selling and administrative expenses”, based on the function of the underlying assets.

Research & Development costs

The Group is committed to improving its manufacturing process, maintaining product quality and meeting existing and future customer needs. These objectives are pursued through various Research & Development programs. Within their framework, expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are recognised as expenses when incurred. Development costs (which have direct applications on the product offer) are capitalised, and amortized on a straight-line basis over five years, only if the following criteria are demonstrated:

- the intention and the technical and financial resources to complete the development;
- the probability of future economic benefits for the Group;
- the reliable measurement of expenditures directly attributable to this asset.

Other development costs are recognised as expenses as incurred.

Intangible assets considered to have finite useful life are carried at their costs less accumulated amortization and accumulated impairment losses.

2.11 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of assets is allocated to its different components, each component having its specific useful life.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of income as incurred.

Investment subsidies are deducted from the cost of property, plant and equipment.

The residual values are reviewed, and adjusted if appropriate, at each reporting date.

Leases

Lease contracts, or contracts which contain a lease according to IFRIC 4 criteria, which transfer to the Group the risks and rewards of ownership of the asset (finance lease contract) are capitalized in property, plant and equipment, with a corresponding financial debt in liabilities.

Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. The leased asset is depreciated using the same criteria as for assets owned by the Group or the lease term if shorter.

Other leases are operating leases. The leased assets are not recognised in the Group’s consolidated statement of financial position.

Borrowing costs

Interest on borrowings related to the financing of significant investments, which is incurred during the construction phase, is capitalized in acquisition costs. The interest rate used to determine the amount of capitalized interest cost is the actual interest rate when there is a specific borrowing, or the Group’s debt average interest rate.

Depreciation

Depreciation on property, plant and equipment is calculated as follows:

- mineral reserves are depleted by reference to the ratio of tonnes extracted during the year to the estimated total extraction capacity of the reserve over its useful life;
- land is not depreciated;
- buildings are depreciated using the straight-line method over estimated useful lives varying from 20 years to 50 years for office properties;
- machinery, equipment and installations are depreciated using the straight-line method over their estimated useful lives, ranging from 8 to 30 years.

Useful lives are reviewed on a regular basis and changes in estimates are accounted for on a prospective basis.

Depreciation expense is recorded in “Cost of sales” and “Selling and administrative expenses”, based on the function of the underlying assets.

Stripping costs

Stripping costs incurred during the development of the quarry to access the deposit are capitalized. These costs are subsequently amortized over the expected useful life of exposed reserves based on a unit of production method.

2.12 IMPAIRMENT OF NON-CURRENT ASSETS

1) Goodwill

In accordance with IAS 36 – Impairment of Assets, goodwill is tested for impairment, whose purpose is to take into consideration events that could have affected the recoverable amount of these assets, at least annually and quarterly when there are some indications that impairment may have been identified. The annual impairment test is performed during the last quarter of the year, in relation with the budget process. The recoverable amount is defined as the higher of the fair value less costs to sell and the value in use.

For the purposes of the impairment test, the Group's net assets are allocated to Cash Generating Units ("CGUs") or groups of CGUs. A CGU is the smallest identifiable group of assets generating cash inflows independently and represents the level used by the Group to organize and present its activities and results in its internal reporting. CGUs generally represent one of our two activities (Cement or Aggregates & Concrete) in a particular country. When it is not possible to allocate goodwill on a non-arbitrary basis to individual CGUs, goodwill can be allocated to a group of CGUs at a level not higher than the operating segment, as defined in Note 4.

Impairment tests are carried out in two steps:

- first step: the Group compares the net carrying value of CGUs or groups of CGUs with an Ebitda multiple (the industry-specified multiple used is determined every year on the basis of a sample of companies in our industry). Ebitda is defined as the operating income before capital gains, impairment, restructuring and other, before depreciation and amortization of property, plant and equipment and intangible assets;
- second step: for CGUs or groups of CGUs presenting an impairment risk according to this first step approach, the Group determines the recoverable amount of the CGU or group of CGUs as its fair value less costs of sale or its value in use.

Fair value is the best estimate of the amount obtainable from the sale in an arm's length transaction between knowledgeable, willing parties. This estimate is based either on market information available, such as market multiples, on discounted expected market cash flows, or any other relevant valuation method.

Value in use is estimated based on discounted cash flows expected over a 10-year period. This period reflects the characteristics of our activities where operating assets have a high lifespan and where technologies evolve very slowly.

If the recoverable amount of the CGU or group of CGUs is less than its net carrying value, the Group records an impairment loss, first to reduce the carrying amount of any goodwill allocated to the CGU or group of CGUs, then to reduce the carrying amount of the other assets of the CGU or group of CGUs. The impairment loss is recorded in "Other operating expenses" *(see Note 6).*

In accordance with IAS 36, impairment losses recognized for goodwill are never reversed.

2) Property, plant & equipment and depreciable intangible assets

Whenever events or new circumstances indicate that the carrying amount of an asset may not be recoverable, an impairment test is performed. The purpose of this test is to compare the carrying value of the asset with its recoverable value. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In that case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value less costs to sell and the value in use, which is the present value of the future cash flows expected to be derived from the use of the asset or its disposal. When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in "Other operating income and expenses".

When an impairment loss is recognized for a cash-generating unit, the loss is allocated first to reduce the carrying amount of the goodwill allocated to the cash-generating unit; and, then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

After the impairment loss, the new carrying value of the asset is depreciated prospectively over its remaining life.

Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each year-end. The carrying value of the assets, revised due to the increase of the recoverable value, cannot exceed the carrying amount (net of depreciation) that would have been determined had no impairment loss been recognized in prior periods. Such reversal is recognized in the statement of income.

2.13 OTHER FINANCIAL ASSETS

Other financial assets mainly consist of shares held in non-consolidated companies, long-term loans and receivables, and cash balances that are restricted from use.

Other financial assets are classified in four categories: trading (assets that are bought and held principally for the purpose of selling them in the near term), held-to-maturity (assets with fixed or determinable payments and fixed maturity that the Group has a positive intent and ability to hold to maturity), long-term loans and receivables (non-derivative financial assets with fixed or determinable payments that are not quoted in an active market) and, available-for-sale (all other assets). The classification depends on the purpose for which the financial assets were acquired. The classification is determined at initial recognition.

All financial assets are reviewed for impairment on an annual basis to assess whether there is any indication that the asset may be impaired.

Purchases and sales of all financial assets are accounted for at trade date.

Financial assets held for trading

Financial assets held for trading are measured at fair value with unrealized gains and losses recorded as financial income or expense. Assets in this category are classified as current assets.

Financial assets held-to-maturity

Financial assets that are designated as held-to-maturity are initially measured at fair value and then at amortized cost, in accordance with the effective interest rate method.

Long-term loans and receivables

Long-term loans and receivables are initially measured at fair value and then accounted for at amortized cost measured in accordance with the effective interest rate method.

Available-for-sale financial assets

Equity interests in non-consolidated companies are classified as available-for-sale financial assets and are initially recognized and subsequently measured at fair value.

For equity securities listed on an active market, the fair value is quoted price.

In the absence of an active market, fair value is generally determined according to the most appropriate financial criteria in each case (comparable transactions, multiples for comparable companies, present value of future cash flows, estimated selling price). If such fair value cannot be reliably measured, equity securities are accounted for at cost.

Gains and losses arising from changes in their fair value are recognized directly in other comprehensive income ("Other Reserves"). When the security is disposed of, the cumulative unrealized gain or loss is included in the statement of income for the period ("Financial income" – "Financial expenses").

The Group assesses at the end of each reporting period whether there is any objective evidence that these financial assets are impaired which would lead, if this were to be the case, to recognise in the statement of income the loss previously recognized in equity. Such impairment cannot subsequently be reversed.

Factors considered by the Group to assess the objective evidence of impairment of its investments and accordingly enabling the Group to determine whether the cost of its financial assets can be or not recovered, are notably:

- the occurrence of significant financial difficulties;
- the analysis of the national/local economic conditions in relation with its assets;
- the analysis of significant adverse changes in the technological, economic or legal environment;
- the existence of a significant or prolonged decline in fair value of the investment below its acquisition cost.

2.14 DERECOGNITION OF FINANCIAL ASSETS

Financial assets can only be derecognized when no further cash flow is expected to flow to the Group from the asset and if substantially all risks and rewards attached to the assets have been transferred.

For trade receivables, programs for selling receivables with recourse against the seller in the event of default in payment (either in the form of a subordinated retained interest or a direct recourse) do not qualify for derecognition.

2.15 INVENTORIES

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is determined using the weighted-average method and includes expenditure incurred in acquiring the inventories. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overhead based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2.16 TRADE RECEIVABLES

Trade receivables are initially measured at fair value, and subsequently carried at amortized cost using the effective interest method less provision for impairment.

A depreciation for trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

The amount of the depreciation is the difference between the asset's carrying amount and the present value of estimated future cash flow, discounted at the original effective interest rate. Impairment loss is recorded in the statement of income.

2.17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of current account bank balances, cash, highly liquid investments and cash equivalents which are not subject to significant changes in value and with an original maturity date of generally less than three months from the time of purchase. Investments, classified as cash equivalents, with a maturity date greater than three months have:

- exit options exercisable with no penalty at any time or maximum every three months, planned at the initiation of the contract;
- no risk related to the minimum return acquired.

Cash balances that are restricted from use restrictions other than legal restrictions in force in some countries (exchange controls, etc.) are excluded from cash presented in the consolidated statement of financial position and in the statement of cash flows and are classified in non-current assets on the line "Other financial assets".

2.18 EQUITY

1) Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

2) Treasury shares

Treasury shares (own equity instruments held by Lafarge S.A.) are accounted for as a reduction of equity at acquisition cost and no further recognition is made for changes in fair value. When shares are sold out of treasury shares, the resulting profit or loss is recognized in equity, net of tax.

2.19 FINANCIAL LIABILITIES AND DERIVATIVE INSTRUMENTS

1) Recognition and measurement of financial liabilities

Financial liabilities are measured at amortized cost calculated based on the effective interest rate method.

Accrued interests are presented within "Other payables" in the consolidated statement of financial position.

Financial liabilities hedged by an interest rate swap that qualifies for fair value hedge accounting are measured in the consolidated statement of financial position at fair value for the part attributable to the hedged risk (risk related to changes in interest rates). The changes in fair value are recognized in earnings for the period of change and are offset by the portion of the loss or gain recognized on the hedging item that relates to the effective portion.

2) Compound instruments

Some financial instruments contain components with characteristics of both liability and equity items (*e.g.* bonds convertible into common shares). The different component parts are recorded in equity and in financial liability for their respective part.

The component classified as a financial liability is valued at issuance at the present value (taking into account the credit risk at issuance date) of the future cash flows (including interest and repayment of the nominal value) of a bond with the same characteristics (maturity, cash flows) but without any option to be converted into or repaid in common shares.

The equity component corresponds to the residual carrying amount after deducting from the instrument as a whole the amount separately determined for the liability component.

3) Measurement and recognition of derivative instruments

The Group enters into financial derivative instruments only in order to reduce its exposure to changes in interest rates, foreign currency exchange rates and commodities prices on firm or highly probable commitments.

Forward exchange contracts and foreign currency swaps are used to hedge foreign currency exchange rate exposures.

The Group enters also into interest rate swaps and options to manage its interest rate exposure. These swaps aim at converting financial instruments either from fixed rate to floating rate or from floating rate to fixed rate.

The Group uses derivatives such as swaps and options in order to manage its exposure to commodity risks.

Derivative instruments are recorded in the consolidated statement of financial position at their fair value. The accounting for changes in fair value of a derivative depends on the intended use of the derivative and the resulting designation. The Group designates its derivatives based on the criteria established by IAS 39.

In case of a fair value hedge relationship, changes in fair value on the hedging item are recognized in the consolidated statement of income of the period. The part corresponding to the efficient portion of the hedge is offset by the unrealized loss or gain recognized on the hedged item.

In case of a cash flow hedge relationship, changes in fair value on the hedging are recognized directly in other comprehensive income for the effective portion and in financial income (expense) for the ineffective portion. The gain or loss recognized in equity is subsequently reclassified to the consolidated statement of income when the hedged exposure affects the latter.

Embedded derivatives not closely related to host contracts are recorded at fair value in the consolidated statement of financial position. Their change in fair value is recorded in the statement of income of the period.

4) Put options on shares of subsidiaries (commitment to purchase non-controlling interests)

Put options granted to non-controlling interests of subsidiaries are considered financial debt. The value of the debt is estimated using the contract formulas or prices. When utilizing formulas based upon multiples of earnings minus debt, we use the actual profit or loss of the period and the debt of the subsidiary at the closing date of the estimation.

PUT OPTIONS GRANTED TO NON-CONTROLLING INTERESTS BEFORE JANUARY 1, 2010

The Group recorded the put options granted to non-controlling interests as a financial debt at present value of the put exercise price and as a reduction in non-controlling interests in equity. When the put exercise price exceeded the carrying amount of the non-controlling interest, the Group recorded this difference as goodwill.

The changes in the fair value of the debt related to put options granted to non-controlling interests before January 1, 2010, are recorded against non-controlling interests and against the goodwill initially recorded if the debt exceeds the carrying amount of the non-controlling interests. There is no impact on the consolidated statements of income nor on the equity attributable to the owners of the parent company.

PUT OPTIONS GRANTED TO NON-CONTROLLING INTERESTS AFTER JANUARY 1, 2010

The Group recorded the put options granted to non-controlling interests as a financial debt at present value of the put exercise price and as a reduction in non-controlling interests in equity. When such present value of the put exercise price exceeded the carrying amount of the non-controlling interest, the Group recorded this difference as a reduction in equity attributable to the owners of the parent company.

The changes in the fair value of the debt related to put options granted to non controlling interests after January 1, 2010, are recorded against non-controlling interests and against equity attributable to the owners of the parent company if the debt exceeds the carrying amount of the non-controlling interests.

2.20 PENSIONS, TERMINATION BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS

The Group recorded all its liabilities related to pensions, termination benefits, medical coverage and other post-employment benefits according to the requirements of IAS 19 revised.

1) Defined contribution plans

The Group accounts for pension costs related to defined contribution pension plans as they are incurred (in "Cost of sales" or "Selling and administrative expenses" based on the beneficiaries of the plan).

2) Defined benefit plans

PENSIONS AND END OF SERVICES INDEMNITIES

Estimates of the Group's pension and termination benefit obligations are calculated annually, in accordance with the provisions of IAS 19 – Employee Benefits, with the assistance of independent actuaries, using the projected unit credit method. This method considers actuarial assumptions including the probable future length of the employees' service, the employees' final pay, the expected average life span and probable turn-over of beneficiaries.

The obligations are discounted by country based upon appropriate discount rates. The obligations are recognized based upon the proportion of benefits earned by employees as services are rendered.

Assets held by external entities to fund future benefit payments are valued at fair value at the closing date.

Actuarial gains and losses arise from changes in actuarial assumptions used in the valuation of obligations and plan assets and from market conditions effectively noticed regarding these assumptions, and experience effects. These gains or losses are recorded in other comprehensive income in the period in which they arise.

In the consolidated statement of income, costs related to defined benefits plans are reflected as follows:

- the current period pension cost, which reflects the increase in the obligation resulting from the additional benefits earned by employees in the period is recorded in "Operating income before capital gains, impairment, restructuring and other" (in "Cost of sales" or "Selling and administrative expenses" based on the beneficiaries of the plan);
- the net financial expense of the period is recorded in "financial expenses". It is determined by applying the discount rate to the amount recognized in the statement of financial position at the beginning of the period, taking into account any variation during the period resulting from contributions and benefit payments.

Pension plan amendments and curtailments effects on the obligations of the Group's entities are recognized immediately in the consolidated statements of income.

In the event of overfunding of a plan's liabilities by its dedicated assets, the Group applies the limitations applicable under IAS 19 and IFRIC 14.

3) Other post-employment benefits

Certain subsidiaries grant their employees and dependants post-employment medical coverage or other types of post-employment benefits. The costs of these benefits are calculated based upon actuarial determinations. Actuarial gains or losses arising from changes in actuarial assumptions used in the valuation and experience effects are recorded in the period in which they arise in other comprehensive income. The costs of these benefits are recorded through the consolidated statement of income and are composed of a service cost (in "Cost of sales" or "Selling and administrative expenses" based on the beneficiaries of the plan) and a financial expense.

2.21 PROVISIONS

The Group recognizes provisions when it has a legal or constructive obligation resulting from past events, the resolution of which would result in an outflow of resources.

1) Restructuring

A provision for restructuring costs is recorded when the restructuring plans have been finalized and approved by the management, and when the Group has raised a valid expectation in those affected that it will carry out the plan either by starting to implement the plan or announcing its main features. The provision only includes direct expenditures arising from the restructuring, notably severance payments, early retirement costs, costs for notice periods not worked and other costs directly linked with the closure of the facilities.

2) Site restoration

When the Group is legally, contractually or constructively required to restore a quarry site, a provision for site restoration is recorded in cost of sales. This provision is recorded over the operating life of the quarry on the basis of production levels and depletion rates. The estimated future costs for known restoration requirements are determined on a site-by-site basis and are calculated based on the present value of estimated future costs.

3) Environmental costs

Costs incurred to mitigate or prevent future environmental contamination and that result in future economic benefits, such as extending useful lives, increased capacity or safety, and those, are capitalized. When the Group determines that a legal or constructive obligation exists and that its resolution will result in an outflow of resources, an estimate of the future remediation is recorded as a provision without the offset of contingent insurance recoveries (only virtually certain insurance recoveries are recorded as an asset). When the effect of the passage of time is not significant, the provision is calculated based on undiscounted cash flows.

Environmental costs, which are not included above, are expensed as incurred.

2.22 TRADE PAYABLES

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.23 INCOME TAXES

Income tax expense or benefit comprises current and deferred tax. Income tax is recognised in the consolidated statement of income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is (i) the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and (ii) any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: (i) the initial recognition of goodwill, (ii) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and (iii) differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority either on the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

A deferred tax liability is recognized for all taxable temporary differences associated with investments in subsidiaries, joint ventures and associates except to the extent that both of the following conditions are satisfied:

- the Group is able to control the timing of the reversal of the temporary difference (*e.g.* the payment of dividends); and
- it is probable that the temporary difference will not reverse in the foreseeable future.

Accordingly, for fully consolidated companies, a deferred tax liability is only recognized in the amount of taxes payable on planned dividend distributions by these companies.

2.24 SHARE BASED PAYMENTS

On a regular basis, the Group grants to its employees purchase or subscription stock options at a set price, performance stock plans and offers employee share purchase plans.

In accordance with the prescriptions of IFRS 2 – Share Based Payments, the Group records compensation expense for all share-based compensation granted to its employees.

1) Share options granted to employees, performance stock plans and cash settled plans

Share options and performance stock fair value are calculated at grant date using the Black & Scholes model. However, depending on whether the equity instruments granted are equity-settled through the issuance of Group shares or cash settled, the accounting treatment differs.

If the equity instrument is settled through the issuance of Lafarge' shares, the fair value of the equity instruments granted is estimated and fixed at the grant date and recorded in the consolidated statement of income over the vesting period (based on the characteristics of the equity instruments) with a counterpart in equity.

If the equity instrument is settled in cash (applicable for SAR "Stock Appreciation Rights" and "Value Enhancement Bonus"), the fair value of the equity instruments granted is estimated at the grant date and is re-estimated at each reporting date and the expense is adjusted pro rata taking into account the vested rights at the relevant reporting date. The expense is amortized over the vesting period (based on the characteristics of the equity instruments) with a counterpart in non-current provisions.

In accordance with IFRS 1 and IFRS 2, only plans granted after November 7, 2002 and not fully vested at January 1, 2004 have been measured and accounted for as employee costs.

2) Employee share purchase plans

When the Group performs capital increases reserved for employees, and when the conditions offered are significantly different from market conditions, the Group records a compensation cost.

This cost is measured at the grant date, defined as the date on which the Group and employees share a common understanding of the characteristics and conditions of the offer.

The measurement of the cost takes into account the Group's contribution to the plan, the potential discount granted on the share price and the effect of post-vesting transfer restrictions (deducted from the discount granted).

The compensation cost calculated is expensed in the period of the operation (considered as compensation for past services) if no vesting condition is attached to the shares.

2.25 EMISSION RIGHTS

The Group receives CO_2 emission rights free of charge under the emissions trading scheme established in the European Union since 2005. The Emissions Trading Directive applies to all the cement plants of the Group in the 10 out of the 28 Member States of the European Union.

For the third period, covering the years 2013 to 2020, allowances are calculated according to a new methodology based on the historical production level for each plant (expressed in tonnes of clinker) and a reference value common to the European sector (expressed in tonnes of CO_2 per tonne of clinker). These allocations are free for the European cement industry in 2013 and 2014; these allocations will remain free after 2015 if the cement industry is recognised as exposed to a significant risk of international competition ("carbon leakage").

The Group follows the emission rights on an annual basis but also on the entire reference period (currently 2013-2020). Actual emissions are consolidated on a monthly basis. The forecast of yearly position is updated regularly during the reporting period.

Until the IASB issues a position on the appropriate accounting treatment of tradable emission quota under plans to reduce emissions of green house gases, the Group accounts for the effects of such scheme as follows:

- emission rights granted by governments are not recorded in the consolidated statement of financial position, as they have a cost equal to zero;

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- proceeds from the sale of emission rights are recorded as a reduction to "Cost of sales";
- purchases of emission rights on the market are recorded in "Cost of sales" when they cover actual emissions of the period. They are recorded as intangible assets if they cover actual emissions to be made in future periods;
- provisions are recorded (in "cost of sales") when actual emissions exceed the number of emission rights (granted or purchased).

No other impact is recorded in the statement of income or in the consolidated statement of financial position.

2.26 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED ACTIVITIES

A fixed asset or a group of assets and liabilities is classified as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale and its sale must be highly probable. Such assets or group of assets are presented separately in the consolidated statement of financial position, in the line "Assets held for sale" when they are material. These assets or group of assets are measured at the lower of their carrying value or the fair value less costs to sell. The liabilities directly linked to the assets or group of assets held for sale are presented in the line "Liabilities directly associated with assets held for sale" in the consolidated statement of financial position.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations for the Group;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations for the Group; or
- is a significant subsidiary acquired exclusively with a view to resale.

Amounts included in the statement of income and the statement of cash flows related to these discontinued operations are presented separately for all prior periods presented in the financial statements. Assets and liabilities related to discontinued operations are shown on separate lines with no restatement for prior years.

2.27 ACCOUNTING PRONOUNCEMENTS AT THE CLOSING DATE NOT YET EFFECTIVE

1) Standards and interpretations adopted by the European Union at the closing date

PRONOUNCEMENTS WITH LIMITED IMPACT EXPECTED ON CONSOLIDATED FINANCIAL STATEMENTS

- IFRIC 21 – Levies, issued by the IASB in May 2013 and applicable for annual periods beginning on or after January 1, 2014.
- Amendments to IAS 19 – Employee contributions, issued by the IASB in November 2013 and applicable for annual periods beginning on or after July 1, 2014.
- Annual improvements to IFRS 2010-2012 cycle, issued by the IASB in December 2013 and applicable for annuals periods beginning on or after July 1, 2014.
- Annual improvements to IFRS 2011-2013 cycle, issued by the IASB in December 2013 and applicable for annuals periods beginning on or after July 1, 2014.

2) Standards and interpretations issued but not yet adopted by the European Union at the closing date

PRONOUNCEMENTS WITH A POTENTIAL IMPACT ON CONSOLIDATED FINANCIAL STATEMENTS

- IFRS 9 – Financial instruments, issued by the IASB in July 2014 and applicable for annual periods beginning on or after January 1, 2018.

PRONOUNCEMENTS WITH LIMITED IMPACT EXPECTED ON CONSOLIDATED FINANCIAL STATEMENTS

- Annual improvements to IFRS 2012-2014 cycle, issued by the IASB in September 2014 and applicable for annuals periods beginning on or after January 1, 2016.
- Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation, issued by the IASB in May 2014 and applicable for annual periods beginning on or after January 1, 2016.
- Amendments to IFRS 11 – Accounting for acquisitions of interests in joint operations, issued by the IASB in May 2014 and applicable for annual periods beginning on or after January 1, 2016.
- Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture, issued by the IASB in September 2014 and applicable for annual periods beginning on or after January 1, 2016.
- Amendments to IAS 1 – Disclosure initiative, issued by the IASB in December 2014 and applicable for annual periods beginning on or after January 1, 2016.
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investments entities: Applying the consolidation exception, issued by the IASB in December 2014 and applicable for annual periods beginning on or after January 1, 2016.
- IFRS 15 – Revenue from contracts with customers, issued by the IASB in May 2014 and applicable for annual periods beginning on or after January 1, 2017.

NOTE 3 SIGNIFICANT EVENTS OF THE PERIOD

3.1 MERGER PROJECT BETWEEN LAFARGE AND HOLCIM

On April 7, 2014, Lafarge and Holcim announced the project to combine the two companies through a merger of equals to create LafargeHolcim, the most advanced group in the building materials industry. The project has been approved by the Board of Directors of both companies and received the full support of their core shareholders.

LafargeHolcim would be listed on Euronext Paris and SIX in Zurich and would be domiciled in Switzerland. The proposed combination would be structured as a public exchange offer filed by Holcim for the shares of Lafarge. The Board of Directors of LafargeHolcim would be composed of an equal number of Lafarge and Holcim Directors. Additional information is available on the website http://lafargeholcim.projet-fusion.com/en.

The proposed combination is conditional upon, among other things, approval of the shareholders of Holcim, the contribution to the exchange offer by the shareholders of Lafarge of at least 2/3rd of the share capital and voting rights of Lafarge on a fully diluted basis, and obtaining various approvals including regulatory and other approvals and customary consultations. Until the completion of the transaction, the two companies will continue to operate independently.

3.1.1 Divestment of assets subject to the completion of the merger

A) SCOPE OF ASSET DISPOSAL

On July 7, 2014, following the signature of the Combination Agreement, Lafarge and Holcim published a list of proposed asset disposals to anticipate potential competition authorities' requirements. The amended list was published on February 2, 2015, the day when Lafarge and Holcim announced they entered exclusive negotiations further to a binding commitment made by CRH regarding the sale of several assets. This list includes assets for divestment in Europe following the clearance obtained from the European Commission on December 15, 2014 for the proposed merger, subject to prior approval of the buyer by the European Commission.

In the remaining jurisdictions where regulatory clearance is still pending, both groups will continue to cooperate with the relevant authorities. The divestment process will be carried out in the framework of the relevant social processes and ongoing dialogue with the employee representatives' bodies. The proposed divestments will be subject to review of the regulatory authorities, to the agreement of our business partners when relevant, and to the closing of the public exchange offer.

B) BINDING COMMITMENT WITH CRH

On January 31, 2015, Lafarge and Holcim entered into exclusive negotiations further to a binding commitment with CRH regarding the divestment of several assets. The list of Lafarge's assets includes operations in Europe (Germany, Romania, United Kingdom and some assets in France, including Reunion Island), in Brazil and in the Philippines.

This agreement is subject to the approval of CRH shareholders, to the completion of the merger and to the local legal reorganization required to fit the scope of entities sold within the contractual framework.

The binding commitment made by CRH guarantees an enterprise value subject to usual adjustments related to the changes in the position of net debt, working capital and specific provisions until the closing of the disposals. These divestments have been structured as a whole. No individual divestment can be completed if the global transaction does not occur. Given the existing partnership agreements in the United Kingdom and the Philippines, a specific price was given by CRH to these countries.

Based upon estimates performed, this transaction will result in a global gain of around 200 million euros for Lafarge, if closed.

As at December 31, 2014, in compliance with IAS 36, the Group has determined the value in use of each cash generating unit (CGU) on the basis of two scenarios of cash flows. The first scenario, which is considered as the most likely, reflects the completion of the sale and the second reflects the continuing use of the assets. The resulting value in use of each CGU, calculated as the value obtained in each scenario multiplied by a probability factor, exceeds its carrying value.

In 2015, should the transaction occur, the gain or loss related to each individual disposal will be recorded in the consolidated financial statements of the Group at the closing date of each local transaction. A loss before tax of around 300 million euros in the United Kingdom and a gain of about 500 million euros for the rest of the perimeter would be recognised.

C) MONITORING TRUSTEE FOR ASSETS IN EUROPE AND BRAZIL

After obtaining the clearances of European and Brazilian competition authorities, a monitoring trustee was appointed to oversee the preservation of the value and competitiveness of the assets being divested including the hold separate obligation, and the divestiture process. The consolidation method of these assets in the Group's consolidated financial statements is not affected, the assessment of control or joint control (for the assets in the United Kingdom) over these assets remains unchanged until their actual disposal.

D) PRESENTATION OF ASSETS TO BE DIVESTED AS AT DECEMBER 31, 2014

The Group considers that the criteria for the application of IFRS 5 to the proposed asset disposal are not met as at December 31, 2014. As noted above, disposals are conditional to the effective completion of the merger between Lafarge and Holcim, itself subject to formal approval of the shareholders of Holcim, the contribution to the exchange offer by the shareholders of Lafarge of at least 2/3rd of the share capital and voting rights of Lafarge and obtaining various approvals including regulatory and other approvals and customary consultations.

3.1.2 Change of control and non-compete clauses

In the context of the merger project with Holcim, the Group identified the main obligations related to mandatory tender offers, change of control and non-compete clauses or other specific legal, regulatory or contractual provisions related to credit facilities, tax, supply agreements, agreements with partners or employee benefits schemes including pensions that could trigger an impact upon completion of the merger. The Group did not identify any impact to be accounted for in the consolidated financial statements as at December 31, 2014. As explained below, discussions are on-going or will start with relevant parties and authorities to find appropriate solutions before the completion of the merger. The main clauses identified are shown below.

A) SHAREHOLDER'S AGREEMENTS AND MANDATORY TENDER OFFERS

In the context of the merger project with Holcim, the Group has identified in the shareholders' agreements:

- exit clauses reserved to the partners, whether minority shareholders or not, that could be activated by the change of control of Lafarge S.A. resulting from the merger with Holcim;
- non-compete clauses in which Lafarge and its partners undertake not to compete, directly or indirectly, within a specific territory, with the business of their joint venture company. As a result of the merger with Holcim where both companies will combine their businesses, Lafarge could be in breach of these non-compete clauses if, in the defined territory, Holcim's business competes with the joint venture company.

In addition, depending on local regulations, mandatory tender offers for minority interests of some listed subsidiaries of the Group could be triggered by the merger project.

The Group entered or will enter into negotiations with the relevant parties and authorities to ensure that appropriate solutions are found. In China, the Group is currently in advanced negotiations with its partner to acquire its 45% of Lafarge Shui On China, subject to the completion of the merger.

B) CREDIT FACILITIES

In the context of the merger project with Holcim, the Company has identified in the main credit facilities of the Group the early repayment clauses in case of change of control of Lafarge S.A.. As part of the preparatory work for the merger project, the Group obtained from the banks a commitment that the merger will not trigger for Lafarge S.A. the obligation to make an early repayment. Similar aggrements for the Group subsidiaries would be obtained if necessary before the completion of the merger.

Holders of the Company's bonds issued under the EMTN programme or by private placement in the United States are entitled to ask for the repurchase of their bonds by the Company in the scenario where, within 6 months of completion of the merger, the credit rating of the Company is downgraded by one notch by either Moody's or Standard & Poor's as a direct consequence of the merger. Moody's and Standard & Poor's have both announced, following the announcement of the merger project on April 7, 2014, that they consider that this project would improve the risk profile of Lafarge.

C) PENSIONS SCHEMES

Discussions with the Trustee Board of the pension plan in the UK in relation to the potential impact of the merger on the financial support provided to the plan by the Group concluded with the signature of a Deed of Agreement on December 15, 2014. This agreement maintains the current financial support to the plan for an interim period of 18 months after the completion of the merger, with no additional financial commitment to the plan. Based on this, the Trustee Board will not consider any wind-up process in relation to the merger and an agreement on the financing of the plan will be negotiated as part of the next funding valuation based on the June 30, 2015 funds situation *(see Note 23)*.

3.1.3 Costs related to the proposed merger between Lafarge and Holcim

As of December 31, 2014, costs in the amount of 126 million euros were recorded in connection with the proposed merger between Lafarge and Holcim in the consolidated statement of income on the line "Other operating income (expense)".

3.2 DISPOSALS

3.2.1 Sale of minority stake in European and South American gypsum operations

On February 12, 2014, the Group completed the sale of the 20% minority stake in European and South American gypsum operations to Etex. The net impact of this disposal is 145 million euros in the consolidated cash flows on the line "Disposals" and (5) million euros for the loss on disposals before tax in the consolidated statement of income on the line "Net gains (losses) on disposals".

3.2.2 Sale of aggregates assets in Maryland (United States)

On February 12, 2014, the Group completed the sale of five aggregates quarries and related assets, located in the State of Maryland (United States), to Bluegrass Materials. The net impact of this disposal is 207 million euros, net of transactions costs and cash disposed of in the consolidated cash flows on the line "Disposals" and 32 million euros for the gain on disposals before tax in the consolidated statement of income on the "Net gains (losses) on disposals".

3.2.3 Sale of cement operations in Ecuador

On November 25, 2014, the Group completed the sale of its cement business in Ecuador to Union Andina de Cementos S.A.A. (UNACEM), its cement production comprises a cement plant with installed capacity of 1.4 million tons, located in Otavalo, in the North of the country. The net impact of this disposal is 364 million euros, net of transaction costs and cash disposed of in the consolidated cash flows on the line "Disposals" and 220 million euros for the gain on disposals before tax in the consolidated statement of income on the "Net gains (losses) on disposals".

3.2.4 Sale of cement plant in Russia

On December 1, 2014, the Group completed the sale of its cement plant in Korkino in the Urals region (Russia) to Buzzi Unicem. The net impact of this disposal is 102 million euros, net of transactions costs and net of cash disposed of in the consolidated cash flows on the line “Disposals” and 49 million euros for the gain on disposals before tax in the consolidated statement of income on the “Net gains (losses) on disposals”.

3.2.5 Sale of minority stake in cement operations in Mexico

On December 16, 2014, the Group completed the sale of its 47% cement operations in Mexico to Elementia. The net impact as at December 31, 2014 of this disposal is 142 million euros, net of transactions costs, in the consolidated cash flows on the line “Disposals” (the remaining amount of 45 million of US dollar will be paid in 2015) and (36) million euros for the loss on disposals before tax in the consolidated statement of income on the “Net gains (losses) on disposals”.

3.3 FOLLOW-UP OF THE SPECIFIC SITUATION IN SYRIA

In Syria, as disclosed in the Group interim condensed consolidated financial statements at the end of September 30, 2014, following the extension of the conflict in the north of the country, the employees of our plant located in the Aleppo area were evacuated. The operations have been suspended and we do not have access anymore to the plant since September 18, 2014. To our knowledge, the plant suffered only minor damages. As an act of war, the damages caused by such events are not covered by the Group’s insurance policies.

Lafarge considers that this situation is temporary and is firmly committed to restart its operations as soon as the situation will allow it.

The Group performed an impairment test, with assumptions taking into account this specific situation, leading to a value 150 million euros below the carrying value of the CGU cement Syria. As a result, the goodwill has been fully impaired for an amount of 78 million euros and an impairment of 72 million euros has been recognized on fixed assets and current assets.

As at December 31, 2014, the carrying value of net assets amounts to 284 million euros before tax effects, including the foreign currency reserve of 211 million euros.

NOTE 4 OPERATING SEGMENT INFORMATION

The Group is organized by countries. Countries or group of countries are the Group’s operating segments. For purposes of presentation, six regions corresponding to the aggregation of countries or group of countries are reported (except for North America which is an operating segment):

- Western Europe;
- North America;
- Central and Eastern Europe;
- Middle East and Africa;
- Latin America;
- Asia.

The information presented hereafter by reportable segment is in line with that reported to the Chief Executive Officer[1] for the purposes of making decisions about allocating resources to the segment and assessing its performance.

Each operating segment derives its revenues from the following products:

- a wide range of cement and hydraulic binders adapted to the needs of the construction industry;
- aggregates & concrete;
- other products: mainly gypsum.

Group management internally follows the performance of the business based upon:

- revenues by origin of production;
- earning before interests, taxes, depreciation and amortization (Ebitda), defined as the total of operating income before capital gains, impairment losses, restructuring and others, before depreciation and amortization of property, plant and equipment and intangible assets;
- operating income before capital gains, impairment losses, restructuring and others; and
- capital employed, defined as the total of goodwill, intangible assets and property, plant and equipment, investments in joint ventures and associates and working capital.

Group financing, notably treasury process (including financial income and expenses), and income taxes are managed at Group level and are not allocated to segments.

The accounting policies used for segment information indicators comply with those applied for the consolidated financial statements (as described in Note 2).

The Group accounts for intersegment sales and transfers at market prices.

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(1) *Chief Operating Decision Maker.*

A) SEGMENT INFORMATION

(million euros)	Western Europe	North America	Central and Eastern Europe	Middle East and Africa	Latin America	Asia	Total
	DECEMBER 31, 2014						
STATEMENT OF INCOME							
Gross revenue	2,207	3,008	1,077	3,813	712	2,320	
Less: intersegment	(98)	-	(10)	(102)	-	(84)	
EXTERNAL REVENUE	**2,109**	**3,008**	**1,067**	**3,711**	**712**	**2,236**	**12,843**
EBITDA	**291**	**578**[1]	**226**	**1,043**	**150**	**433**	**2,721**
Depreciation and amortization	(187)	(137)	(91)	(265)	(31)	(129)	(840)
OPERATING INCOME BEFORE CAPITAL GAINS, IMPAIRMENT, RESTRUCTURING AND OTHER	**104**	**441**	**135**	**778**	**119**	**304**	**1,881**
Net gains (losses) on disposals	11	49	47	(3)	179	9	292
Other operating income (expenses)	(181)	(31)	(39)	(296)	(24)	(142)	(713)
Including impairment on assets and goodwill	*(17)*	*(11)*	*(29)*	*(246)*	*(2)*	*(123)*	*(428)*
OPERATING INCOME	**(66)**	**459**	**143**	**479**	**274**	**171**	**1,460**
OTHER INFORMATION							
Capital expenditures	128	202	136	153	88	154	861
Capital employed	5,692	4,881	2,286	10,539	832	3,173	27,403
STATEMENT OF FINANCIAL POSITION							
Segment assets	6,908	5,441	2,479	11,651	991	3,908	31,378
Of which investments in joint ventures and associates	*1,700*	*30*	*41*	*884*	*3*	*398*	*3,056*
Unallocated assets[2]							3,426
TOTAL ASSETS							**34,804**
Segment liabilities	1,646	1,502	240	1,036	157	643	5,224
Unallocated liabilities and equity[3]							29,580
TOTAL EQUITY AND LIABILITIES							**34,804**

(1) *Including a gain of 28 million euros due to a pension plan amendment in the United States.*
(2) *Cash and cash equivalents, deferred tax assets and derivative instruments.*
(3) *Deferred tax liability, financial debt, derivative instruments and equity.*

DECEMBER 31, 2013

(million euros)	Western Europe	North America	Central and Eastern Europe	Middle East and Africa	Latin America	Asia	Total
STATEMENT OF INCOME							
Gross revenue	2,325	3,065	1,154	3,750	869	2,252	
Less: intersegment	(117)	-	(10)	(118)	-	(79)	
EXTERNAL REVENUE	**2,208**	**3,065**	**1,144**	**3,632**	**869**	**2,173**	**13,091**
EBITDA	**264**	**552**(1)	**201**	**1,032**	**240**	**505**	**2,794**
Depreciation and amortization	(183)	(153)	(89)	(270)	(39)	(123)	**(857)**
OPERATING INCOME BEFORE CAPITAL GAINS, IMPAIRMENT, RESTRUCTURING AND OTHER	**81**	**399**	**112**	**762**	**201**	**382**	**1,937**
Net gains (losses) on disposals	45	(1)	(21)	(5)	269	4	**291**
Other operating income (expenses)	(186)	(23)	(49)	(35)	8	(10)	**(295)**
Including impairment on assets and goodwill	*(66)*	*(5)*	*(36)*	*-*	*-*	*(3)*	*(110)*
OPERATING INCOME	**(60)**	**375**	**42**	**722**	**478**	**376**	**1,933**
OTHER INFORMATION							
Capital expenditures	149	117	286	134	60	204	**950**
Capital employed	5,507	4,543	2,660	10,243	1,180	2,940	**27,073**
STATEMENT OF FINANCIAL POSITION							
Segment assets	6,679	5,040	2,863	11,278	1,361	3,740	**30,961**
Of which investments in joint ventures and associates	*1,698*	*26*	*42*	*815*	*198*	*395*	***3,174***
Unallocated assets(2)							**4,272**
TOTAL ASSETS							**35,233**
Segment liabilities	1,925	1,257	250	998	180	560	**5,170**
Unallocated liabilities and equity(3)							**30,063**
TOTAL EQUITY AND LIABILITIES							**35,233**

(1) *Including a gain of 21 million euros due to a pension plan amendment in the United States.*
(2) *Cash and cash equivalents, deferred tax assets and derivative instruments.*
(3) *Deferred tax liability, financial debt, derivative instruments and equity.*

B) INFORMATION BY PRODUCT LINE

	External revenue		Gross revenue	
(million euros)	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Cement	8,545	8,645	9,166	9,256
Aggregates & concrete	4,253	4,397	4,271	4,412
Other products	45	49	45	49
Eliminations			(639)	(626)
TOTAL	**12,843**	**13,091**	**12,843**	**13,091**

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C) GEOGRAPHIC AREA INFORMATION

(million euros)	DECEMBER 31, 2014 External revenue	DECEMBER 31, 2014 Non-current segment assets(1)	DECEMBER 31, 2013 External revenue	DECEMBER 31, 2013 Non-current segment assets(1)
WESTERN EUROPE	**2,109**	**5,715**	**2,208**	**5,617**
Of which:				
France	*1,643*	*2,306*	*1,764*	*2,318*
NORTH AMERICA	**3,008**	**4,514**	**3,065**	**4,190**
Of which:				
United States(2)	*1,079*	*1,170*	*1,077*	*1,149*
Canada(2)	*1,929*	*914*	*1,988*	*795*
CENTRAL AND EASTERN EUROPE	**1,067**	**2,212**	**1,144**	**2,547**
MIDDLE EAST AND AFRICA	**3,711**	**10,396**	**3,632**	**10,170**
Of which:				
Egypt	*477*	*2,305*	*368*	*2,137*
Algeria	*664*	*2,993*	*615*	*3,006*
Nigeria	*632*	*1,323*	*598*	*1,272*
LATIN AMERICA	**712**	**800**	**869**	**1,188**
Of which:				
Brazil	*584*	*831*	*608*	*772*
ASIA	**2,236**	**3,180**	**2,173**	**2,908**
TOTAL	**12,843**	**26,817**	**13,091**	**26,620**

(1) *Non-current segment assets include goodwill, intangible assets, property, plant and equipment and investments in joint-ventures and associates.*
(2) *Non-current segment assets excluding goodwill.*

D) MAJOR CUSTOMERS

The Group has no reliance on any of its customers.

NOTE 5 NET GAINS (LOSSES) ON DISPOSALS

2014

Net gains (losses) on disposals amount to 292 million euros and are notably composed of 220 million euros of gain on the sale of the Group's Cement operations in Ecuador, 49 million euros of gain on the sale of the cement plant of Korkino in Russia, 32 million euros of gain on the sale of aggregates assets in Maryland (United States) and a loss of 36 million euros on the sale of the minority stake in Mexico *(see Note 3.2).*

2013

Net gains (losses) on disposals amount to 291 million euros and are notably composed of a 182 million euros gain on the sale of the Group's Cement operations in Honduras, 106 million euros gain further to the loss of control resulting from the contribution of the Group's Mexican cement assets to the new entity formed with Elementia and 42 million euros gain upon the creation of the joint venture Lafarge Tarmac Holdings Ltd. in the United Kingdom.

NOTE 6 OTHER OPERATING INCOME (EXPENSES)

Components of other operating income (expenses) are as follows:

	YEARS ENDED DECEMBER 31,	
(million euros)	2014	2013
Impairment losses	(428)	(110)
Impairment losses on goodwill	*(174)*	-
Impairment losses on intangible assets, property, plant and equipment and other assets	*(254)*	*(110)*
Restructuring costs	(80)	(131)
Litigations	(15)	(6)
Other income	49	26
Other expenses	(239)	(74)
OTHER OPERATING INCOME (EXPENSES)	**(713)**	**(295)**

2014

Other operating income (expenses) mainly comprises:

- impairment losses on goodwill: 96 million euros on the CGU cement Iraq and 78 million euros on the CGU cement Syria *(see Note 10)*;
- impairment losses on tangible and current assets in Syria for an amount of 72 million euros *(see Note 3.3)*;
- impairment of the investment in North Korea (asset held for sale) for an amount of 112 million euros *(see Note 15)*;
- restructuring costs for an amount of 80 million euros, which include basically employees' termination benefits and are notably due to the Group's costs reduction plan. During 2014, cash out amounted to 116 million euros;
- costs linked to the merger project between Lafarge and Holcim amounting to 126 million euros.

2013

Other operating income (expenses) mainly comprises restructuring costs and impairment losses on assets in Western and Eastern Europe for an amount of 241 million euros. Restructuring costs include basically employees' termination benefits and are notably due to the Group's costs reduction plan in Western Europe. During 2013, cash out amounted to 154 million euros.

NOTE 7 EMISSION RIGHTS

The Group records emission rights of CO_2 according to principles described in *Note 2.25*.

In 2014, allowances that were allocated to the Group cement plants in the European Union are equivalent to about 16.6 million tonnes of CO_2 emissions.

In 2014, the low level of activity in the European markets combined with our improved performance in kg of CO_2 per tonne of cement has led to a surplus of allowances. During 2014, the Group sold excess rights over actual emissions for an amount of 37 million euros (14 million euros in 2013).

For the year 2015, based on our estimate of allowances to be received and based on our current production forecasts, which may evolve in case of market trends different from those expected as at today, the allowances granted should exceed the needs of the Group on a consolidated basis.

NOTE 8 FINANCIAL INCOME (EXPENSES)

Components of financial income (expenses) are as follows:

	YEARS ENDED DECEMBER 31,	
(million euros)	2014	2013
Interest expense	(827)	(876)
Net interest pension costs	(62)	(63)
Foreign currency exchange losses	(42)	(89)
Other financial expenses	(103)	(94)
FINANCIAL EXPENSES	**(1,034)**	**(1,122)**
Interest income	91	97
Dividends received from investments	2	2
Foreign currency exchange gains	70	38
Other financial income	1	1
FINANCIAL INCOME	**164**	**138**
NET FINANCIAL INCOME (EXPENSES)	**(870)**	**(984)**

Interest expense net of interest income and capitalized interest costs, amounts to 736 million euros as at December 31, 2014 (779 million euros as at December 31, 2013), which represents a decrease of 6%. This variation is mainly explained by:

- a decrease in average net indebtedness of 643 million euros in 2014 compared to 2013;
- an average interest rate on our gross debt of 6.3% in 2014, as compared to 6.2% in 2013 (7.3% in 2014 and 7.4% in 2013 on our net debt);
- capitalized interest costs for construction projects of 13 million euros in 2014 compared to 22 million euros for 2013.

The amount of foreign currency exchange gains and losses depends on the exchange risk exposure of loans and debts denominated in currencies different from the functional currencies of the company that carries this loan and/or this debt. These exchange differences mainly relate to amounts denominated in US dollars.

NOTE 9 EARNINGS PER SHARE

The computation and reconciliation of basic and diluted earnings per share for the years ended December 31, 2014 and 2013 are as follows:

	YEARS ENDED DECEMBER 31,	
	2014	2013
NUMERATOR (million euros)		
NET INCOME - ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	**143**	**601**
Out of which net income from continuing operations	143	555
DENOMINATOR (in thousands of shares)		
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**287,419**	**287,268**
Total potential dilutive shares	2,137	1,964
Weighted average number of shares outstanding — fully diluted	289,556	289,232
BASIC EARNINGS PER SHARE (euros)	**0.50**	**2.09**
DILUTED EARNINGS PER SHARE (euros)	**0.49**	**2.08**
BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS (euros)	**0.50**	**1.93**
DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS (euros)	**0.49**	**1.92**

For purposes of computing diluted earnings per share, stock options which would have an antidilutive effect on the calculation of the diluted earnings per share are excluded from the calculation.

In 2014, 3.5 million stock options were excluded from the diluted earnings per share calculation (4.9 million in 2013).

NOTE 10 GOODWILL

A) CHANGES IN GOODWILL

The following table displays the changes in the carrying amount of goodwill by operating segment:

	Western Europe	North America	Central and Eastern Europe	Middle East and Africa	Latin America	Asia	Total
Gross amount	2,103	2,433	819	5,457	581	997	12,390
Accumulated impairment	(367)	-	(3)	-	-	(67)	(437)
NET CARRYING AMOUNT AT JANUARY 1, 2013	**1,736**	**2,433**	**816**	**5,457**	**581**	**930**	**11,953**
Additions	2	-	-	-	-	-	2
Disposals	-	(72)	(42)	-	(30)	-	(144)
Translation adjustments	(4)	(114)	(18)	(441)	(88)	(119)	(784)
Other movements	(1)	-	1	-	-	-	-
GOODWILL AT DECEMBER 31, 2013	**1,733**	**2,247**	**757**	**5,016**	**463**	**811**	**11,027**
Gross amount	2,101	2,247	759	5,016	463	870	11,456
Accumulated impairment	(368)	-	(2)	-	-	(59)	(429)
NET CARRYING AMOUNT AT JANUARY 1, 2014	**1,733**	**2,247**	**757**	**5,016**	**463**	**811**	**11,027**
Additions	68	6	-	-	-	7	81
Disposals	(12)	(95)	(30)	-	(60)	(6)	(203)
Translation adjustments	-	272	(32)	296	13	83	632
Impairment losses	-	-	-	(174)	-	-	(174)
Other movements	1	-	-	(4)	-	-	(3)
GOODWILL AT DECEMBER 31, 2014	**1,790**	**2,430**	**695**	**5,134**	**416**	**895**	**11,360**
Gross amount	2,158	2,430	697	5,308	416	961	11,970
Accumulated impairment	(368)	-	(2)	(174)	-	(66)	(610)
NET CARRYING AMOUNT AT DECEMBER 31, 2014	**1,790**	**2,430**	**695**	**5,134**	**416**	**895**	**11,360**

B) ACQUISITIONS AND DISPOSALS

2014

Disposals

Changes in goodwill related to disposals made in 2014 *(see Note 3)* mainly concern:

- the share of goodwill allocated to the CGU Aggregates & Concrete North America affected by the disposal of aggregates assets in Maryland in the United States;
- the share of goodwill allocated to the CGU cement Russia affected by the disposal of the cement plant in Korkino in the Urals region;
- the goodwill of cement CGU in Ecuador.

2013

Disposals

Changes in goodwill related to disposals made in 2013 *(see Note 3)* mainly concern:

- the share of goodwill allocated to the CGU Aggregates & Concrete North America affected by the disposal of aggregates assets in Georgia in the United States;
- The goodwill of cement CGUs in Ukraine, Mexico and Honduras.

C) IMPAIRMENT TEST FOR GOODWILL

The Group's methodology to test its goodwill for impairment is described in *Note 2.12.*

Key assumptions

The evolution of the economic and financial, political and competitive context in the different countries may have an impact on the evaluation of recoverable amounts. Especially, key assumptions are the following:

- the market size, driven by expenditures in the residential and commercial construction sectors and for infrastructure in each country;
- the evolution of the products portfolio in association with the Group's innovation program;
- the market share of the Group and the level of prices based especially on supply-demand balance on the market;
- the costs evolution factors and mainly the evolution of energy costs;
- the country specific discount rate based on the weighted average cost of capital;
- the country specific perpetual growth rate.

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These parameters are based on:

- a 10-year period plan established during the last quarter of the year in line with the budget exercise and approved by the heads of operating and functional departments, which details the operating assumptions described above, based on the last trends known. Cash flows for the stabilized year are equal to or lower than the cash flows of the 10th year of the business plan;
- a country specific discount rate, which includes a country risk premium factoring political and economic risks of the country and takes into account if needed specific situations such as in some countries in Europe or the Middle East;
- a perpetual growth rate reflecting the long-term market trends in the construction segment in which the Group operates.

For Syria and Iraq, or Euro zone countries hit by the economic crisis such as Greece and Spain, the operating assumptions and discount rates used have been determined based on the specific country environment. These forecasts do not reflect any long term major disruption of the economical or geopolitical environment.

As described in *Note 2.12*, in performing the first step of the impairment test, the Group uses a multiple of Ebitda from 9.0 to 14.2 (8.0 to 12.6 in 2013) according to the corresponding activity.

When the Group determines the value in use of CGUs or groups of CGUs based on estimated discounted cash-flows (second step of the impairment test as described in *Note 2.12*), the discount rates and perpetual growth rates are included in the following segments as follow for the main regions where the Group operates:

	Discount rate		Perpetual growth rate	
	2014	2013	2014	2013
Western Europe	[7.0%-9.1%]	[8.0%-10.0%]	2.0%	2.0%
Central and Eastern Europe	8.4%	[7.4%-9.0%]	2.0%	2.0%
Middle East and Africa	[7.6%-10.6%] (1)	[8.0%-14.0%]	3.0%	3.0%

(1) *Excluding CGU cement Syria, see explanation below in "Impairment losses".*

Discount rates are post-tax rates that are applied to post-tax cash flows. The use of these rates results in recoverable values that are identical to the ones that would have been obtained by using pre-tax rates applied to pre-tax cash flows.

The discount rates and perpetual growth rates are based on inflation assumptions in Euro-Zone or US Dollar-zone ("hard currency"). Therefore, the cash flows used for the calculation of the value in use are performed in local currency and then, are translated in "hard currency" taking into account the devaluation all along the business plan's length equal to the differential of inflation between local currency and "hard currency".

Main goodwill

CGUs generally correspond to one of the two activities in a country. The key assumptions used for the valuation of the main CGUs or groups of CGUs, covering about 50% of total Group's goodwill together with the carrying amount of corresponding goodwill are detailed as follows:

Main CGUs

Cash Generating Units	AT DECEMBER 31, 2014 Carrying value of goodwill (million euros)	2014 Discount rate	2014 Perpetual growth rate	2013 Carrying value of goodwill (million euros)	2013 Discount rate	2013 Perpetual growth rate
Cement North America	1,529	(2)	n/a	1,355	7.2%	1.4%
Cement Algeria	1,450	8.5%	3.0%	1,450	8.5%	3.0%
Cement Egypt	1,223	10.6% (1)	2.0%	1,109	11.5% (1)	3.0%
Aggregates & Concrete North America	902	(3)	n/a	891	(3)	n/a
Cement Iraq	737	10.6%	3.0%	731	9.6%	3.0%

(1) *Equivalent to 13.6% in 2014 and 14.5% in 2013, in local currency.*

(2) *In 2014, the cement North America CGU was estimated based on a Ebitda multiple of 9.0.*

(3) *In 2014 and 2013, the Aggregates & Concrete North America CGU was estimated based on a Ebitda multiple of 14.2 and 12.6 respectively.*

Sensitivity of recoverable amounts

The Group analyzed the sensitivities of the recoverable amounts to a reasonable possible change of a key assumption (notably to a change of one point in the discount rate and the perpetual growth rate). These analyses did not show a situation in which the carrying value of the main CGUs would exceed their recoverable amount, with the exception of the CGUs cement Egypt, cement Spain and cement Iraq,referred to below.

For these three CGUs and the CGUs cement Greece and cement Jordan, the sensitivity of the recoverable amount to an independent change of one point in either the discount rate or the perpetual growth rate was as follows as at December 31, 2014:

Cash generating unit (million euros)	Excess of estimated recoverable amount over carrying value Group's share	Sensitivity of the recoverabale amount to one point increase / decrease in the: Discount rate +1 point	Discount rate -1 point	Perpetual growth rate +1 point	Perpetual growth rate -1 point
Cement Egypt	3	(193)	245	121	(96)
Cement Spain	29	(169)	254	167	(111)
Cement Greece	177	(109)	145	80	(60)
Cement Iraq	0	(143)	188	100	(76)
Cement Jordan	43	(23)	31	13	(11)

The sensitivity estimated by the Group of the recoverable amount to reasonable changes of key assumptions included in 10-year period plans is reflected by the sensitivity to the discount rate presented above, especially:

- assumptions related to the market size and the date and rhythm of recovery notably in Euro zone countries;
- assumptions for prices evolution and costs reductions.

Impairment losses

2014

In 2014, the Group recorded the following impairment losses:

- goodwill of the CGU cement Syria has been fully impaired for an amount of 78 million euros following events described in *Note 3.3*. The recoverable amount of the CGU cement Syria is 62 million euros, and corresponds to its value in use determined based on discounted cash flows taking into account a discount rate of 22% in local currency;
- goodwill of the CGU cement Iraq has been impaired for an amount of 96 million euros due to the current situation that resulted in an increase of the discount rate. The recoverable amount of the CGU cement Iraq is 1,767 million euros, and corresponds to its value in use determined based on discounted cash flows taking into account a discount rate of 10.6% (9.6% in 2013).

2013

No impairment loss occurred in 2013.

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NOTE 11 INTANGIBLE ASSETS

(million euros)	2014	2013
CARRYING AMOUNT AT JANUARY 1,	**370**	**426**
Additions	64	65
Disposals	-	-
Amortization	(74)	(76)
Impairment losses	(21)	(16)
Changes in scope and other changes	1	(5)
Translation adjustments	9	(24)
CARRYING AMOUNT AT DECEMBER 31,	**349**	**370**

For the years presented, no reversal of impairment charges has been recorded.

The following table presents details of intangible assets:

	AT DECEMBER 31,					
	2014			2013		
(million euros)	Cost	Accumulated amortization and impairment	Carrying value	Cost	Accumulated amortization and impairment	Carrying value
Software	525	406	119	483	371	112
Mineral rights	97	23	74	88	18	70
Other intangible assets	384	228	156	364	176	188
TOTAL INTANGIBLE ASSETS	**1,006**	**657**	**349**	**935**	**565**	**370**

For the years presented, “Other intangible assets” only include assets with finite useful lives.

In 2014, the overall Group’s expenditure for products innovation and industrial process improvement were 113 million euros, compared to 114 million euros in 2013. The portion of this expenditure that was expensed as incurred was 71 million euros in 2014 (77 million euros in 2013).

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

A) CHANGES IN PROPERTY, PLANT AND EQUIPMENT

(million euros)	Mineral reserves and land	Buildings	Machinery, equipment, fixtures and fittings	Construction in progress	Investment subsidies	Total
Gross value	1,854	3,289	16,602	1,368	(54)	23,059
Accumulated depreciation	(426)	(1,657)	(7,530)	(5)		(9,618)
CARRYING AMOUNT AT JANUARY 1, 2013	**1,428**	**1,632**	**9,072**	**1,363**	**(54)**	**13,441**
Additions	29	12	71	668	(5)	775
Disposals	(8)	(3)	(132)	(12)	4	(151)
Other changes in scope	(62)	(36)	(5)	(35)	-	(138)
Depreciation	(36)	(117)	(636)	2	-	(787)
Impairment losses	(16)	(26)	(33)	(19)	-	(94)
Other changes	57	95	389	(520)	-	21
Translation adjustments	(76)	(109)	(719)	(114)	-	(1,018)
CARRYING AMOUNT AT DECEMBER 31, 2013	**1,315**	**1,449**	**8,007**	**1,333**	**(55)**	**12,049**
Gross value	1,762	3,101	15,412	1,355	(55)	21,575
Accumulated depreciation	(447)	(1,652)	(7,405)	(22)	-	(9,526)
CARRYING AMOUNT AT JANUARY 1, 2014	**1,315**	**1,449**	**8,007**	**1,333**	**(55)**	**12,049**
Additions	12	13	60	729	(2)	812
Disposals	(8)	(12)	(22)	(1)	-	(43)
Other changes in scope	(88)	1	(107)	(23)	-	(217)
Depreciation	(40)	(115)	(610)	(6)	5	(766)
Impairment losses	(81)	(1)	(15)	(17)	-	(114)
Other changes	42	178	597	(829)	-	(12)
Translation adjustments	33	(3)	297	15	1	343
CARRYING AMOUNT AT DECEMBER 31, 2014	**1,185**	**1,510**	**8,207**	**1,201**	**(51)**	**12,052**
Gross value	1,751	3,292	16,328	1,243	(51)	22,563
Accumulated depreciation	(566)	(1,782)	(8,121)	(42)		(10,511)

2014

"Other changes in scope" primarily include assets disposed in Ecuador and the United States.

2013

"Other changes in scope" primarily include assets disposed in the United States, Mexico, Ukraine and Honduras.

B) FINANCE LEASES

The gross value of property, plant and equipment includes 78 million euros and 86 million euros of assets under finance leases at December 31, 2014 and 2013, respectively. The remaining obligations on such assets amount to 22 million euros and 31 million euros at December 31, 2014 and 2013, respectively.

NOTE 13 NON-CONTROLLING INTERESTS

The Group's main non-controlling interests are in Lafarge Africa Plc (Nigeria), Lafarge Cement Egypt S.A.E. (Egypt), Lafarge Malaysia Berhad (Malaysia) and Bazian Cement Company Ltd. (Iraq) *(see Note 35)*. They are not individually material to the Group regarding the total Group's assets, liability (excluding equity), revenue or Ebitda.

NOTE 14 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The Group has several interests in joint ventures and associates *(see Note 35)*, of which:

	AT DECEMBER 31,	
(million euros)	2014	2013
Investments in joint ventures	2,724	2,531
Investments in associates	332	643
TOTAL INVESTMENTS IN JOINT VENTURES AND ASSOCIATES	**3,056**	**3,174**

In the statement of income, the share of net income (loss) of joint ventures and associates is as follows:

	YEARS ENDED DECEMBER 31,	
(million euros)	2014	2013
Investments in joint ventures	61	(19)
Investments in associates	8	19
TOTAL OF SHARE OF NET INCOME (LOSS) OF JOINT VENTURES AND ASSOCIATES	**69**	**-**

A) INVESTMENTS IN JOINT VENTURES

The Group has interests in joint ventures (which are not individually material) accounted for using the equity method in the consolidated financial statements. As of December 31, 2014, investments in joint ventures mainly relate to:

- Lafarge Tarmac Holdings Ltd., the joint venture between Lafarge UK and Tarmac Quarry Materials (Anglo American) created on January 7, 2013, in which the Group has a 50% share. Lafarge Tarmac Holdings Ltd, excepted Cauldon cement plant and certain associated assets, is part of the list of proposed asset to be sold to CRH subject to the completion of the proposed merger between Lafarge and Holcim *(see Note 3.1.1.)*. In the context of the project of disposal, an agreement was signed with Anglo American, on July 24, 2014, for the acquisition by Lafarge of their 50% of interests in Lafarge Tarmac Holding Ltd for a minimum value of 885 million British pounds; a condition of the acquisition is the completion of the merger between Lafarge and Holcim;
- several joint ventures in China. Lafarge Shui On China is 55% owned by Lafarge. It comprises the Chinese operations mainly in the Provinces of Sichuan, Yunnan, Guizhou and Chongqing;
- several joint ventures in Morocco for the Cement and Aggregates & Concrete activities, owned at 35%;
- Lafarge Emirates Cement LLC, owned at 50% in the United Arab Emirates;
- other joint ventures in the Middle East for the Aggregates & Concrete activity and in Bangladesh for the Cement activity.

Change in investments in joint ventures

(million euros)	2014	2013
AT JANUARY 1,	**2,531**	**1,080**
Share of net income (loss) of joint ventures	61	(19)
Dividends received from joint ventures	(53)	(46)
Acquisitions, creations or share capital increases	10	1,538
Disposals and reduction in ownership percentage	(7)	(9)
Other changes (mainly translation adjustments)	182	(13)
AT DECEMBER 31,	**2,724**	**2,531**

MAIN EVENTS

United Kingdom

On January 7, 2013, creation of the joint venture Lafarge Tarmac Holding Ltd between Lafarge UK and Tarmac Quarry Materials (Anglo American) in which the Group has a 50% share. Lafarge Tarmac Holdings Ltd, excepted Cauldon cement plant and certain associated assets, is part of the list of proposed asset to be sold to CRH subject to the completion of the proposed merger between Lafarge and Holcim *(see Note 3.1.1.)*.

Aggregated financial information of Group's share in joint ventures

STATEMENT OF FINANCIAL POSITION INFORMATION

	AT DECEMBER 31,	
(million euros)	2014	2013
Non-current assets	915	911
Current assets(1)	1,161	931
Non-current liabilities(1)	590	464
Current liabilities(1)	1,249	1,157

(1) *Including the net debt of Lafarge Shui On China (China) at 55% for 493 million euros (462 million euros in 2013). Due to the financial guarantee granted by the Group for a part of Lafarge Shui On China's financial debt, the total exposure of the Group is 758 million euros in 2014 (see also Note 28).*

STATEMENT OF INCOME INFORMATION

	YEARS ENDED DECEMBER 31,	
(million euros)	2014	2013
Revenue	2,324	2,107
Depreciation and amortisation	(167)	(170)
Operating income before capital gains, impairment, restructuring and others	203	138
Net gain (losses) on disposals	1	4
Other operating income (expenses)	(5)	(55)
Operating income	199	87
SHARE OF NET INCOME	**27**	**29**
Share of other comprehensive income	188	(7)
TOTAL SHARE OF COMPREHENSIVE INCOME	**215**	**22**

Commitments and contingent liabilities relating to the Group's interest in the joint ventures are presented in the *Note 28 "Off balance sheet commitments"* and *Note 29 "Legal and arbitration proceedings"*.

F

B) INVESTMENTS IN ASSOCIATES

The Group has interests in associates (which are not individually material) accounted for using the equity method in the consolidated financial statements. These associates are not listed and therefore do not have a public quote. Their reporting date is in line with that of the Group.

Changes in investments in associates

(million euros)	2014	2013
AT JANUARY 1,	**643**	**470**
Share of net income (loss) of associates	8	19
Dividends received from associates	(7)	(10)
Acquisitions or share capital increases	12	207
Disposals and reduction in ownership percentage	(352)	-
Other changes	28	(43)
AT DECEMBER 31,	**332**	**643**

MAIN EVENTS

Mexico
On December 16, 2014, the Group disposed of its minority stake, 47% in ELC Tenedora Cementos (Mexico) to its partner Elementia *(see Note 3.2)*.

This entity was created in July 2013 by Lafarge (47%) and Elementia (53%) to combine their cement assets in Mexico.

Siniat Group
On February 12, 2014, the Group completed the sale of the 20% minority stake in European and South American gypsum operations to Etex *(see Note 3.2)*.

Aggregated financial information of Group's share in associates

STATEMENT OF FINANCIAL POSITION INFORMATION

	AT DECEMBER 31,	
(million euros)	2014	2013
Non-current assets	395	817
Current assets[(1)]	114	199
TOTAL ASSETS	**509**	**1,016**
Total equity	115	418
Non-current liabilities[(1)]	299	416
Current liabilities[(1)]	95	182
TOTAL EQUITY AND LIABILITIES	**509**	**1,016**

(1) *Including the net debt of United Cement Company of Nigeria Ltd (Nigeria) at 35% for 121 million euros (97 million euros in 2013).*

STATEMENT OF INCOME INFORMATION

(million euros)	YEARS ENDED DECEMBER 31, 2014	2013
Revenue	218	386
Depreciation and amortisation	(21)	(33)
Operating income before capital gains, impairment, restructuring and other	36	48
Financial income (expenses)	(23)	(18)
Income tax	(4)	(2)
Share of net income	6	19
Non controlling interests	(2)	-
SHARE OF NET INCOME	**8**	**19**
Share of other comprehensive income	28	(25)
TOTAL SHARE OF COMPREHENSIVE INCOME	**36**	**(6)**

NOTE 15 OTHER FINANCIAL ASSETS

Components of other financial assets are as follows:

(million euros)	AT DECEMBER 31, 2014	2013
Long-term loans and receivables	509	389
Available for sale investments	175	251
Prepaid pension assets	2	6
Restricted cash	53	21
TOTAL	**739**	**667**

LONG-TERM LOANS AND RECEIVABLES

Long-term loans and receivables include namely loans to our non-controlled subsidiaries (joint ventures and investments in associates) in China, in Nigeria and in the United Arab Emirates.

AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments are shares in equity securities that are not consolidated.

The table below presents the split of the fair value between the three levels of hierarchy:

- level 1: for equity securities listed on an active market, fair value is quoted price;
- level 2: for equity securities not listed on an active market and for which observable market data exist that the Group can use in order to estimate the fair value;
- level 3: for equity securities not listed on an active market and for which observable market data do not exist in order to estimate the fair value.

(million euros)	AT DECEMBER 31, 2014	2013
Level 1	-	-
Level 2	44	33
Level 3	131	218
AVAILABLE-FOR-SALE INVESTMENTS	**175**	**251**

For the level 3 category, the reconciliation from the beginning balances to the ending balances is as follows:

(million euros)	2014	2013
AT JANUARY 1,	**218**	**230**
Gains (losses) in statement of income/equity	-	-
Change in Scope	13	(3)
Other movements (including translation adjustments)	19	(9)
Impairment[(1)]	(119)	-
Reclassification in (out of) level 3	-	-
AT DECEMBER 31,	**131**	**218**

(1) *In 2014, mainly corresponds to the impairment of the investment in North Korea for 112 million euros (see Note 6).*

NOTE 16 INVENTORIES

Components of inventories are as follows:

	AT DECEMBER 31,	
(million euros)	2014	2013
Raw materials	398	376
Work-in-progress	7	8
Finished and semi-finished goods	640	648
Maintenance and operating supplies	602	548
INVENTORIES GROSS VALUE	**1,647**	**1,580**
Depreciation	(171)	(155)
INVENTORIES	**1,476**	**1,425**

The depreciation primarily relates to maintenance and operating supplies for 116 million euros and 108 million euros at December 31, 2014 and 2013, respectively.

The change in the inventories is as follows:

(million euros)	2014	2013
AT JANUARY 1,	**1,425**	**1,526**
Movement of the year	28	50
Scope effects and other changes	(47)	(39)
Translation adjustments	70	(112)
AT DECEMBER 31,	**1,476**	**1,425**

NOTE 17 TRADE RECEIVABLES

Components of trade receivables are as follows:

	AT DECEMBER 31,	
(million euros)	2014	2013
Gross trade receivables and advances on trade payables	1,874	1,809
Valuation allowance	(277)	(263)
TRADE RECEIVABLES	**1,597**	**1,546**

The change in the valuation allowance for doubtful receivables is as follows:

(million euros)	2014	2013
AT JANUARY 1,	**(263)**	**(266)**
Current year addition	(43)	(31)
Current year release	19	9
Cancellation	19	16
Scope and other changes	(4)	2
Translation adjustments	(5)	7
AT DECEMBER 31,	**(277)**	**(263)**

SECURITIZATION PROGRAMS

The Group entered into multi-year securitization agreements, with respect to trade receivables:

- the first one implemented in France in January 2000 for Cement activity, renewed twice, has been extended to Aggregates & Concrete activity since September 2009. This is a five-year program from June 2010;
- the second one implemented in September 2009 in North America (United States and Canada) for a three-year period; this program was renewed in October 2014 for a one-year period.

Under these programs, some of the French and North American subsidiaries agree to sell, on a revolving basis, some of their accounts receivables. Under the terms of the arrangements, the subsidiaries involved in these programs do not maintain control over the assets sold and there is neither entitlement nor obligation to repurchase the sold receivables. In these agreements, the purchaser of the receivables, in order to secure his risk, only finances a part of the acquired receivables as it is usually the case for similar commercial transactions. As risks and benefits cannot be considered as being all transferred, these programs do not qualify for derecognition of receivables, and are therefore accounted for as secured financing.

Trade receivables therefore include sold receivables totalling 335 million euros and 358 million euros at December 31, 2014 and 2013, respectively.

The current portion of debt related to these programs includes 254 million euros and 282 million euros at December 31, 2014 and 2013, respectively.

The French securitization agreement is guaranteed by subordinated deposits and units totalling 81 million euros at December 31, 2014 (76 million euros at December 31, 2013).

NOTE 18 OTHER RECEIVABLES

Components of other receivables are as follows:

	AT DECEMBER 31,	
(million euros)	2014	2013
Taxes	248	280
Prepaid expenses	130	100
Interest receivables	16	17
Other current receivables	355	306
OTHER RECEIVABLES	**749**	**703**
Current portion	*714*	*680*
Non current portion	*35*	*23*

In 2014, “Other current receivables” mainly include:

- the receivables on disposals of assets and advances paid to suppliers for an amount of 65 million euros (21 million euros at December 31, 2013);
- the receivables from the employees for 8 million euros (14 million euros at December 31, 2013).

NOTE 19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents, amounting to 1,961 million euros at December 31, 2014 (3,111 million euros at December 31, 2013), include cash equivalents totalling 253 million euros at December 31, 2014 (1,387 million euros at December 31, 2013) which are mainly time deposits.

NOTE 20 EQUITY

A) COMMON STOCK

At December 31, 2014, Lafarge common stock consisted of 287,541,684 shares with a nominal value of 4 euros per share.

At December 31, 2014, the total number of theoretical voting rights attributable to the shares is 412,822,976 after inclusion of the double voting rights attached to registered shares held for at least two years in the name of the same shareholders.

B) CAPITAL INCREASE AND DECREASE

In 2014, the capital increase amounting to 8 million euros resulted from the exercise of stock options *(see Note 21)*. There was no capital decrease.

In 2013, the capital increase amounting to 3 million euros resulted from the exercise of stock options. There was no capital decrease.

C) DIVIDENDS

The following table indicates the dividend amount per share that the Group paid for the year 2013, as well as the dividend amount per share for 2014 proposed by the Board of Directors for approval at the Annual General Meeting of Shareholders to be held on May 7, 2015. Dividends on fully paid-up shares that have been held by the same shareholders in registered form for at least two years are increased by 10% over dividends paid on other shares. The number of shares eligible for this increased dividend for a shareholder is limited to 0.5% of all outstanding shares at the end of the financial year for which the dividend is paid.

(euros, unless otherwise indicated)	2014	2013
Total dividend (million)	368[3]	289
Base dividend per share	1.27[1]	1.00
Increased dividend per share[2]	1.39[1]	1.10

(1) *Proposed dividend by the Board of Directors held on February 23, 2015, subject to Annual General Meeting approval. As this dividend is subject to approval by shareholders at the Annual General Meeting, it has not been included as a liability in these financial statements as of December 31, 2014.*

(2) *See Section 6.2.5 (Articles of Association (Statuts) - Rights, preferences and restrictions attached to shares) for an explanation of our "Loyalty dividend".*

(3) *Based on an estimation of the number of shares eligible for dividends of 287,471,146 shares.*

D) TRANSACTIONS ON TREASURY SHARES

In 2014, the Group proceeded to the buyback of 250,000 of its own shares for an amount of 14 million euros.

The treasury shares decreased by 197,397 shares related to the performance stock plans which were vested and delivered to the employees (vs. 139,348 shares in 2013).

E) OTHER COMPREHENSIVE INCOME NET OF INCOME TAX – PART ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY

The roll forward of other comprehensive income, net of income tax, for the part attributable to the owners of the parent company, is as follows:

	January 1, 2013	Gains/(losses) arising during the year	Recycling to income statement	December 31, 2013	Gains/(losses) arising during the year	Recycling to income statement	December 31, 2014
Available-for-sale financial assets	**21**	**(14)**	**-**	**7**	**8**	**-**	**15**
Gross value	31	(14)	-	17	8	-	25
Deferred taxes	(10)	-	-	(10)	-	-	(10)
Cash flow hedge instruments	**(27)**	**3**	**4**	**(20)**	**(1)**	**11**	**(10)**
Gross value	(37)	3	5	(29)	(1)	15	(15)
Deferred taxes	10	-	(1)	9	-	(4)	5
Actuarial gains/(losses)	**(919)**	**47**	**-**	**(872)**	**(17)**	**-**	**(889)**
Gross value	(1,310)	121	-	(1,189)	(64)	-	(1,253)
Deferred taxes	391	(74)	-	317	47	-	364
TOTAL OTHER RESERVES	**(925)**	**36**	**4**	**(885)**	**(10)**	**11**	**(884)**
TOTAL FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	**(719)**	**(1,623)**	**54**	**(2,288)**	**884**	**210**	**(1,194)**
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF INCOME TAX	**(1,644)**	**(1,587)**	**58**	**(3,173)**	**874**	**221**	**(2,078)**

F) NON-CONTROLLING INTERESTS

At December 31, 2014, the non-controlling interests amount to 1,836 million euros (1,730 million euros at December 31, 2013).

At December 31, 2014 and 2013, the Group's main non-controlling interests are in Lafarge Africa Plc. (Nigeria) (ex Lafarge Cement WAPCO Nigeria Plc.), Lafarge Cement Egypt SAE (Egypt), Lafarge Malayan Cement Berhad (Malaysia) and Bazian Cement Company Ltd. (Iraq).

F

G) CHANGES IN OWNERSHIP INTERESTS WITH NO GAIN/LOSS OF CONTROL

2014

As at December 31, 2014, changes in ownership interests with no gain/loss of control amount to (10) million euros, which mainly results from the combination in Lafarge Africa Plc, since September 2014, of all Lafarge's Nigerian and South African assets with the contribution of the Group's shares in the businesses in Nigeria (AshakaCem Plc, United Cement Company of Nigeria Ltd. and Atlas Cement Company Ltd.) and South Africa (mainly Lafarge Aggregates South Africa (Pty) Ltd and Lafarge Industries South Africa (Pty) Ltd). The net impact of this transaction in the equity attributable to owners of the Group amounts to (56) million euros.

2013

As at December 31, 2013, changes in ownership interests with no gain/loss of control amount to 181 million euros, of which 177 million euros are related to a capital increase subscribed by a minority shareholder in Lafarge India PVT (India).

NOTE 21 SHARE BASED PAYMENTS

A) COMPENSATION EXPENSE FOR SHARE-BASED PAYMENTS

The Group recorded a compensation expense for share-based payments that is analysed as follow:

	YEARS ENDED DECEMBER 31,	
(million euros)	2014	2013
Employee stock options	1	4
Performance stock plans	9	10
Cash-settled plans	1	-
COMPENSATION EXPENSE FOR SHARE BASED PAYMENTS	**11**	**14**

Stock options plans and performance stock plans

The compensation cost recognized includes the fair value amortization for all outstanding and non-vested plans, including the plans granted in 2014.

Total compensation cost related to non-vested and not yet recognized stock options plans and performance stock plans is 26 million euros which will be recognized on a straight-line basis over the vesting period from 2015 to 2018.

Cash-settled plans

The compensation cost recognized includes the fair value amortization for all outstanding and non-vested plans, including the plans granted in 2014.

B) EQUITY-SETTLED INSTRUMENTS

Stock option plans

Lafarge S.A. grants stock option plans and employee stock purchase plans. The Lafarge S.A. stock incentive plans were introduced on November 29, 1989. The Group assumes the estimated life of the outstanding option agreements based upon the number, of options historically exercised and cancelled since the plan's inception. Stock option plans offer options to purchase or subscribe to shares of the Group's common stock to executives, senior management, and other employees who have contributed significantly to the performance of the Group. The option exercise price approximates market value on the grant date. The options are vested after four years and expire ten years from the grant date.

No stock options were granted during the financial years 2014 and 2013.

See Section 3.5.2 (Stock-option plans) for more information.

Information relating to the Lafarge S.A. stock options granted is summarized as follows:

	2014		2013	
	Options	Weighted average exercise price (euros)	Options	Weighted average exercise price (euros)
OPTIONS OUTSTANDING AT JANUARY 1,	**7,000,955**	**64.13**	**8,455,389**	**59.09**
Options granted	-	-	-	-
Options exercised	(176,287)	43.95	(109,895)	30.74
Options cancelled and expired	(1,072,053)	55.39	(1,344,539)	56.32
OPTIONS OUTSTANDING AT DECEMBER 31,	**5,752,615**	**66.38**	**7,000,955**	**64.13**
OPTIONS EXERCISABLE AT DECEMBER 31,	**4,487,162**	**73.97**	**4,815,213**	**73.41**
Weighted average share price for options exercised during the year		57.30		49.57
Weighted average share price at option grant date (for options granted during the year)				
Weighted average fair value of options granted during the year				

Information relating to the Lafarge S.A. stock options outstanding at December 31, 2014 is summarized as follows:

Exercise price (euro)	Number of options outstanding	Weighted average remaining life (months)	Number of options exercisable
62.78	1,292,394	35	1,292,394
84.42	875,173	41	875,173
110.77	553,729	53	553,729
96.18	740,477	63	740,477
30.74	402,335	76	402,335
51.30	623,054	87	623,054
44.50	517,733	99	-
36.00	747,720	111	-
TOTAL	**5,752,615**		**4,487,162**

Performance stock plans

Lafarge set up a performance stock plan. The shares are granted to executives, senior management and other employees for their contribution to the continuing success of the business. For French resident employees, these shares will be issued following a three-year vesting period after the grant date (two years for 2010), but will remain unavailable for an additional two-year period. For non-French resident employees, the shares will be vested after four years.

See Section 3.5.3 (Performance share plans) of the Registration Document for more information.

Information relating to the Lafarge S.A. performance stock plans outstanding at each December 31, is summarized as follows:

	2014	2013
SHARES OUTSTANDING AT JANUARY 1,	**1,427,847**	**1,055,587**
Shares granted	331,745	636,920
Shares cancelled	(113,411)	(125,312)
Shares definitely alloted	(197,397)	(139,348)
SHARES OUTSTANDING AT DECEMBER 31,	**1,448,784**	**1,427,847**
Weighted average share price at option grant date (in euros)	55.00	53.72

The Group estimated the fair value of the shares granted in 2014 and 2013 based on the following assumptions:

	YEARS ENDED DECEMBER 31,	
	2014	2013
Expected dividend yield	2.5%	2.5%
Post vesting transfer restriction discount	3.7%	3.7%

The expected dividend yield assumption is based on a prospective approach, according to market expectations by 2015.

A discount for post vesting transfer restrictions has been applied on shares granted to French resident employees for the three years following the vesting date.

C) CASH-SETTLED INSTRUMENTS

Stock Appreciation Rights (SAR)

In 2007 and 2008, Lafarge granted certain US employees equity instruments exclusively settled in cash, called Stock Appreciation Rights (SAR). The cash payment based on Lafarge's share price, is equal to the increase in the value of the Lafarge share from the time of the grant until the date of exercise.

The SAR strike price approximates market value on the grant date. SAR are granted for ten years. Grant rights vest at a rate of 25% each year starting on the first anniversary of the grant and are fully vested since 2013.

As at December 31, 2014, the number of exercisable SAR amounts to 332,070 and the average exercise price is 102.88 euros. The impact of this plan is not significant on the Group's financial statements.

Value Enhancement Bonus

In 2013 and 2014, the Group granted to Executive Committee's members a long-term incentive program in the form of the allocation of a "Value Enhancement Bonus" designed to recognize strong growth in Lafarge's share price over the long term. This plan will be settled exclusively in cash.

At the end of a four-year period, and only if 100% of the internal and external performance conditions attached to the program have been achieved, this program allows for the payment of a Value Enhancement Bonus. This will be calculated on the basis of the difference between Lafarge's share price at the end of the program and a stock price target; this difference will be multiplied by the number of bonus units granted.

As at December 31, 2014, the number of bonus units amounts to 452,000, and the average exercise price is 73.45 euros. The impact of this plan is not significant on the Group's financial statements.

NOTE 22 INCOME TAX

A) INCOME TAX

The components of the income tax expense are as follows:

	YEARS ENDED DECEMBER 31,	
(million euros)	2014	2013
CURRENT INCOME TAX	**(447)**	**(441)**
Corporate income tax for the period	(412)	(451)
Adjustment of current tax of prior periods	1	13
Withholding tax on dividends	(30)	(55)
Other	(6)	52
DEFERRED INCOME TAX	**62**	**199**
Deferred taxes on origination or reversal of temporary differences & other movements	122	161
Reassessment of deferred tax assets	(17)	16
Adjustment of deferred tax of prior periods	-	2
Effect of changes in tax rates	(43)	20
INCOME TAX	**(385)**	**(242)**

The current corporate income tax expense in 2014 is slightly higher as compared to 2013: the decrease in corporate income tax for the period, related to lower results, and in withholding tax on dividends (exceptional distributions of dividends in 2013) is offset by the reversal of provisions, included in the line "Other" in 2013 following the positive outcome of some litigation with tax authorities.

An analysis of the deferred tax (expense) income in respect of each temporary difference is presented in paragraph (c) "Change in deferred tax assets and liabilities". The deferred income tax observed in 2014 is lower as compared to 2013 due to:

- consumption of tax losses related to capital gains recorded, notably in Russia and in the United States;
- adverse effect on deferred tax of changes in tax rates in Algeria and Spain notably while in 2013 the effects of changes were positive in the United Kingdom and Greece.

B) RECONCILIATION BETWEEN THE THEORETICAL INCOME TAX AND THE ACTUAL INCOME TAX

For the years ended December 31, 2014 and 2013, the reconciliation between the theoretical and the actual income tax is based on the same tax rate of 34.43%. This rate elected by the Group does not take into account the additional contribution of 10.7% as enacted in France by the *Loi de Finances* for 2014, in so far as: i) this contribution is a temporary measure; ii) the French tax group is not a tax payer in 2014; iii) the impact of the reassessment of deferred taxes that will be reversed in 2015 is deemed not to have a material impact on the Group's consolidated financial statements.

The reconciliation is as follows:

	YEARS ENDED DECEMBER 31,	
(million euros)	2014	2013
Income before tax and income from joint ventures and associates	590	949
Statutory tax rate	34.43%	34.43%
Theoretical income tax	(203)	(327)
Effect of foreign tax rate differentials	86	103
Withholding taxes and other costs on dividends and service & royalties fees	(74)	(83)
Changes in enacted tax rates	(55)	20
Capital gains taxed at a different rate	39	76
Impact of impairment loss on goodwill and other assets	(128)	(17)
Non recognition of deferred tax assets and provisions for tax exposure	(23)	(13)
Other effects	(27)	(1)
INCOME TAX	**(385)**	**(242)**

Effect of foreign tax rate differentials

The effect of foreign tax rate differentials has a lower favourable impact on the effective tax rate due to the increase of the relative weight of results in high tax rate jurisdictions and to a lower contribution of some lower tax rate jurisdictions. The main contributors to tax rate differentials are Algeria and Canada.

Changes in enacted tax rates

The amount of deferred tax liabilities as well as the current corporate income tax expense for the year was impacted by the increase of tax rate from 19% to 23% in Algeria. In Spain, deferred tax assets have been reassessed following the decrease of tax rate from 30% to 25%. Those two changes as well as the changes in enacted tax rates in Egypt have increased the tax expense by 55 million euros.

Capital gains taxed at a different rate

In 2014, Group disposals, notably in Ecuador, generated low-taxed gains. Conversely, asset disposals in the United States led to a higher tax result than the accounting one which was offset against the recognized tax losses of the US tax group. Those two effects have reduced the effective tax rate by 39 million euros.

In 2013, Group disposals, notably in Honduras, the loss of control in Mexico and the implementation of the joint-venture Lafarge Tarmac in the United Kingdom generated low-taxed gains. Conversely, asset disposals in the United States generated a higher taxable result than the accounting result which was offset against the recognized tax losses of the US tax group, thus decreasing the effective tax rate by 76 million euros.

Impact of impairment loss on goodwill and other assets

The impairment loss on assets, partially not tax deductible, increased the income tax by 128 million euros in 2014 compared to 17 million euros in 2013.

Non-recognition of deferred tax assets and provisions for tax exposure

The Group has re-estimated some of its deferred tax assets on tax loss carry forwards and on taxable temporary differences following the reassessment of the recoverability of these assets and the outcome of some litigations with tax authorities, thus increasing the effective tax rate by 23 million euros in 2014.

Other effects

Other effects include notably the impact of the new measure enacted by the *Loi de Finances* for 2013 in France, which limits the tax deduction of interest charges to 75% of their net amount. Such effect increased the effective tax rate by 42 million euros as at December 31, 2014 compared to 35 million euros as at December 31, 2013 after taking into account the increase of non-deductible interest portion from 15% to 25%.

In 2014, other effects include also the positive impact for 38 million euros (compared to 39 million euros in 2013) of the five-year tax holiday obtained in Nigeria, retroactively from December 2011 as well as additional taxes [including the Contribution on Value Added of Companies (CVAE) in France] and non-deductible expenses.

C) CHANGE IN DEFERRED TAX ASSETS AND LIABILITIES

The movements in net deferred tax from 340 million euros as at December 31, 2013 to 445 million euros as at December 31, 2014 as presented in the consolidated statement of financial position are as follows:

(million euros)	January 1, 2014	(Expense) income	Recorded in other comprehensive income	Scope effects	Other changes	Translation adjustments	December 31, 2014
Pensions and other post-employment benefits	390	(28)	47	-	-	30	439
Property, plant and equipment	(1,243)	(43)	-	8	-	(59)	(1,337)
Net operating loss and tax credit carry forwards	1,570	99	(16)	-	-	34	1,687
Net capital loss carry forwards	146	-	-	-	-	10	156
Valuation allowance	(608)	53	-	-	-	(25)	(580)
Provisions, current liabilities & others, net	85	(19)	3	(1)	1	11	80
NET DEFERRED TAXES POSITIONS - ASSET (LIABILITY)	**340**	**62**	**34**	**7**	**1**	**1**	**445**

(million euros)	January 1, 2013	(Expense) income	Recorded in other comprehensive income	Scope effects	Other changes	Translation adjustments	December 31, 2013
Pensions and other post-employment benefits	491	(7)	(74)	-	-	(20)	390
Property, plant and equipment	(1,405)	64	-	5	-	93	(1,243)
Net operating loss and tax credit carry forwards	1,551	118	-	(77)	-	(22)	1,570
Net capital loss carry forwards	239	(23)	-	(66)	-	(4)	146
Valuation allowance	(722)	50	-	52	-	12	(608)
Provisions, current liabilities & others, net	90	(3)	(1)	2	-	(3)	85
NET DEFERRED TAXES POSITIONS - ASSET (LIABILITY)	**244**	**199**	**(75)**	**(84)**	**-**	**56**	**340**

In 2014, in addition to the deferred tax income accounted for in the consolidated statement of income, a net deferred tax income of 47 million euros, mainly related to actuarial losses, has been recorded in other comprehensive income. A tax expense of 16 million euros on transactions with non-controlling interests (minority interest) recorded in equity was recognized against tax losses.

Scope effects in 2014 are mainly due to Ecuador disposal.

D) TAX LOSS AND CAPITAL LOSS CARRY FORWARDS

At December 31, 2014, the Group has net operating loss (NOL) of approximately 5,253 million euros, and capital loss carry forwards of 776 million euros, which will expire as follows:

(million euros)	NOL and tax credits carry forwards	Long term capital loss carry forwards	Total
2015	157	-	157
2016	52	-	52
2017	92	-	92
2018	108	-	108
2019 and thereafter	4,844	776	5,620
TOTAL	**5,253**	**776**	**6,029**

Deferred tax assets have been recognized on all tax losses and a valuation allowance has been recorded when it is not probable that such deferred tax assets will be recoverable in a foreseeable future or when tax losses are uncertain to be used due to risks of diverse interpretations with regard to the application of tax legislation.

The analyses performed based on the most recent forecasts approved by the management conclude that it is probable that such assets will be recoverable in a foreseeable future, notably in France, United States and Spain where these net assets amounted to 1,059 million euros as at December 31, 2014.

As at December 31, 2014, based on the most reasonable estimate of taxable results, net deferred tax assets of the French tax group amount to 701 million euros and should be recoverable within 12 years. In France, since 2011, given the action plans implemented to reduce the level of indebtedness at Group level and the financial expenses of the French tax group, the deferred tax assets on the tax loss carry forwards, along with tax assets relating to taxable temporary differences, have been recognized.

In the United States, the deferred tax assets on the tax loss carry forwards, along with tax assets relating to taxable temporary differences recognized for an amount of 240 million euros should be recoverable within 3 years.

In Spain, since 2014, the deferred tax assets arising from the tax group are recognized given the change in law which makes losses indefinitely carried forward. As at December 31, 2014, based on the most reasonable estimate of taxable results, net deferred tax assets of the Spanish tax group amount to 118 million euros and should be recoverable within 12 years.

E) TAX AUDITS

The financial year ended December 31, 2014 and prior years are open to tax audits by the respective tax authorities in the jurisdictions in which the Group has or had operations. Various tax authorities have proposed or levied adjustments for additional tax in respect of prior years.

In jurisdictions where notices of adjustments have been received, the Group has challenged almost all of the proposed assessments and is proceeding with discussions with relevant tax authorities.

As at December 31, 2014 the Group has covered its most reasonable estimate of the charge which may ultimately result from such on-going tax audits considering notably the technical merits of its positions towards tax authorities, possible settlements in certain countries and disputes that the Group could initiate.

The Group regularly reviews the assessment of such risk taking into account the evolution of audits and disputes.

NOTE 23 PENSION PLANS, END OF SERVICE BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS

The Group's post-employment benefits vary in accordance with local legal requirements and each specific subsidiary benefit policies. They are composed of both defined contribution and defined benefits plans.

For defined contribution plans, the Group's obligations are limited to periodic payments to third party organizations, which are responsible for the financial and administrative management of the funds. The pension costs recognized for these plans correspond to the contributions paid during the period. The total contribution paid in 2014 and 2013 (excluding mandatory social security plans organized at state level) for continuing operations is 29 million euros and 30 million euros, respectively.

Only defined benefit plans create future obligations for the Group. Defined benefit pension plans and end of service benefits constitute 95% of the Group's post-employment obligations. The balance relates mainly to post-employment medical plans. These obligations are estimated on a regular basis by independent actuaries using assumptions, which may vary over time.

The following tables present the valuation of defined benefits plans, for both funded and unfunded plans.

Funded plans are mainly pension plans located in the United Kingdom and in North America. These obligations are funded through Group's and employees' contributions to external funds which are third party legal entities, which investments are subject to fluctuations in the financial markets.

Unfunded plans are mainly retirement indemnities schemes or end of service benefits, as well as post-employment medical plans, which benefits are vested only if the employee is in the Group at the retirement date. A provision is recognized, with no funding obligation.

For active employees, the payment of benefits remains uncertain and the provision is 599 million euros at the end of 2014. For retirees and deferred members, the provision is 378 million euros at the end of 2014.

	AT DECEMBER 31,					
	Funded plans		Unfunded plans		Total	
(million euros)	2014	2013	2014	2013	2014	2013
COMPONENTS OF NET PERIODIC PENSION COST						
Net service cost	*23*	*33*	*26*	*23*	*49*	*56*
Plan amendment, curtailment and settlement	*(22)*	*(15)*	*(22)*	*(12)*	*(44)*	*(27)*
Administrative expenses and taxes	*5*	*5*	*-*	*-*	*5*	*5*
Net operating expense	**6**	**23**	**4**	**11**	**10**	**34**
Net financial expense	**25**	**28**	**37**	**35**	**62**	**63**
Net periodic pension cost	**31**	**51**	**41**	**46**	**72**	**97**
CHANGE IN DEFINED BENEFIT OBLIGATION						
PRESENT VALUE OF DEFINED BENEFIT OBLIGATION AT JANUARY 1,	**4,648**	**4,710**	**836**	**936**	**5,484**	**5,646**
Net service cost	23	33	26	23	49	56
Interest cost	211	189	37	35	248	224
Employees contributions	-	-	-	-	-	-
Plan amendments(1)	(12)	(3)	(28)	(18)	(40)	(21)
Curtailments(2)	-	(20)	-	(7)	-	(27)
Settlements(3)	(49)	(1)	-	2	(49)	1
Special termination benefits	7	13	6	11	13	24
Business combinations / Divestitures	-	-	1	(2)	1	(2)
Benefits paid	(258)	(228)	(68)	(76)	(326)	(304)
Actuarial (gains) / losses related to change in demographic assumptions	62	66	14	3	76	69
Actuarial (gains) / losses related to change in financial assumptions	532	50	103	(29)	635	21
Actuarial (gains) / losses related to experience effects	(4)	12	6	(5)	2	7
Foreign currency translations	378	(173)	44	(37)	422	(210)
PRESENT VALUE OF DEFINED BENEFIT OBLIGATION AT DECEMBER 31,	**5,538**	**4,648**	**977**	**836**	**6,515**	**5,484**

(1) *Including in 2013 and in 2014, the plan amendments of the pension plans (See Note 23 (A)) and of post-retirement healthcare coverage (See Note 23 (B)) in the United States.*

(2) *Including in 2013, the freezing of main pension plans decided in the United States from December 31, 2018.*

(3) *Corresponding in 2014 to some settlements of pension plans in the United States. (See Note 23 (A)).*

	AT DECEMBER 31,					
	Funded Plans		Unfunded plan		Total	
(million euros)	2014	2013	2014	2013	2014	2013
CHANGE IN FAIR VALUE OF PLAN ASSETS						
FAIR VALUE OF PLAN ASSETS AT JANUARY 1,	**4,150**	**4,072**	**-**	**-**	**4,150**	**4,072**
Interest income	186	161	-	-	186	161
Actuarial gain/(loss) related to experience effects	652	216	-	-	652	216
Employer contributions	96	81	-	-	96	81
Employees contributions	-	-	-	-	-	-
Benefits paid	(258)	(228)	-	-	(258)	(228)
Administrative expenses and taxes	(5)	(5)	-	-	(5)	(5)
Settlements(1)	(33)	(1)	-	-	(33)	(1)
Special termination benefits	1	5	-	-	1	5
Business combinations / Divestitures	-	-	-	-	-	-
Foreign currency translations	332	(151)	-	-	332	(151)
FAIR VALUE OF PLAN ASSETS AT DECEMBER 31,	**5,121**	**4,150**	**-**	**-**	**5,121**	**4,150**
Actual return on plan assets	840	379	-	-	840	379
COMPONENTS OF AMOUNTS RECORDED IN FINANCIAL STATEMENTS						
Present value of defined benefit obligation	5,538	4,648	977	836	6,515	5,484
Fair value of plan assets	5,121	4,150	-	-	5,121	4,150
FUNDED STATUS OF THE PLAN	**(417)**	**(498)**	**(977)**	**(836)**	**(1,394)**	**(1,334)**
Unrecognized assets due to asset ceiling limitations	(2)	(1)	-	-	(2)	(1)
NET (LIABILITY)/ASSET RECORDED IN THE STATEMENT OF FINANCIAL SITUATION	**(419)**	**(499)**	**(977)**	**(836)**	**(1,396)**	**(1,335)**
Of which Other financial assets	*2*	*6*	*-*	*-*	*2*	*6*
Of which Pension & other employee benefits	*(421)*	*(505)*	*(977)*	*(836)*	*(1,398)*	*(1,341)*

(1) *Corresponding in 2014 to some settlements of pension plans mainly in the United States (See Note 23 (A)).*

The Group has not recognized any right to reimbursement for the years presented.

The main actuarial assumptions made to account for pensions and end of service benefits are as follows:

%	United States	Canada	United Kingdom	Euro Zone
AS AT DECEMBER 31, 2014				
Discount rate	4.00	3.90	3.50	1.80
Salary increase rate	3.50	3.50	n/a	2.37
AS AT DECEMBER 31, 2013				
Discount rate	4.80	4.75	4.40	3.30
Salary increase rate	3.50	3.50	n/a	2.48

The discount rates are determined by reference to the rate of return of long-term high-grade corporate bonds. They are selected from yield curves build by external experts based on public panel of bonds with rating AA, usually considered as references. The Group has ensured the relevance of these curves.

An increase of the discount rate assumption by 0.5 percentage point at December 31, 2014 would have led to a decrease in the valuation of the obligations of the main benefit plans located in the United Kingdom and North America, by approximately 388 million euros.

A large number of plans located in North America provide benefits which are not linked to the salary, therefore the salary increase rate assumption has no significant impact on these plans (a decrease of the salary increase rate by 0.5 percentage point at December 31, 2014 would have led to a decrease in the valuation of the obligations of the plans located in North America, by approximately 10 million euros).

In the United Kingdom, pension indexation assumptions are based on inflation index RPI and CPI, which decrease respectively from 3.35% and 2.35% at the end of 2013 to 3.00% and 2.00% at the end of 2014.

A decrease of the pension indexation rates assumptions by 0.5 percentage point at December 31, 2014 would have led to a decrease in the valuation of the obligations of the benefit plan located in the United Kingdom, by approximately 283 million euros.

An additional year in the life expectancy at retirement age at December 31, 2014 would have led to an increase in the valuation of the obligations of the main benefit plans located in the United Kingdom and North America, by approximately 218 million euros.

The duration of the plans is an indicator of the weighted-average of future benefit payments duration. For the most significant benefit plans located in the United Kingdom and North America, the duration is around 15 years.

Benefits are paid to the beneficiaries of the various defined benefit plans of the Group either by assets held by pension funds in case of funded plan or directly by the Group for unfunded plans. Expected benefits payments for the next five years are presented in the following table:

	Funded plans	Unfunded plans	Total
2015	272	73	345
2016	275	46	321
2017	281	61	342
2018	289	55	344
2019	294	58	352
TOTAL	**1,411**	**293**	**1,704**

A) PENSION PLANS

The main defined benefit pension plans provided to employees by the Group are located in the United Kingdom and North America (United States and Canada). The related pension obligations represent 60% and 30%, respectively, of the Group's total defined benefit plan obligations.

United Kingdom

In the United Kingdom, the Group's pension obligations are mainly administered through a pension fund, governed by an independent Board of Trustees. The Trustees are composed of representatives of the Group, employees and retirees, and an independent expert. The Board is required by law to act in the interest of the beneficiaries and is responsible for the investment policy with regard to the assets and for the administration of the benefits.

In October 2011, vested rights (based on salary and years of service within the Group) have been frozen: active members of the scheme will no more acquire rights in the defined benefit plan. The defined benefit obligation includes benefits for deferred members (who have not yet solved their pensions rights 45% of the obligation) and current pensioners (55% of the obligation).

If necessary, the plan is funded by employer contributions which amount is determined under the regulations every three years, based on plan valuation carried out by independent actuaries, so that the long-term financing services is ensured. The last funding valuation was carried out based on the June 30, 2012 fund situation. The schemes being in deficit as at June 30, 2012, a deficit contribution schedule was signed off in March 2014. It was agreed to reduce the plan deficit by paying additional contributions over fifteen years starting from the valuation date.

Based on the June 2012 valuation, the employer has contributed 25 million of British pounds in 2014 and will contribute 30 million of British pounds in 2015. The next funding valuation will be carried out based on the June 30, 2015 fund situation.

The Board of Trustees' primary objective is to ensure that it can meet its obligations to the beneficiaries of the plan both in the short and long term. Subject to this primary objective, the Board of Trustees aims to maximise the long-term investment return whilst minimising the risk of non-compliance with any statutory funding requirements. The Board of Trustees is responsible for the plan's long-term investment strategy but has delegated strategy design and monitoring to an Investment Committee and employs a fiduciary manager to implement and manage the plan's investments.

A strategy has been designed to target an asset value equal to 100% of the liability value. This objective is translated into two main asset categories:

- a portfolio of instruments that provides a reasonable match to changes in liability values, which includes government bonds, corporate bonds and derivatives.

  Bonds generally have a credit rating that is no lower than "A/BBB" and have quoted market prices in an active market.

  Liability Driven Investment portfolio is mainly composed of gilts and swaps. Fair value is estimated with models that rely on observable market data;
- a portfolio of return-seeking assets, which include shares, real estate and alternative assets classes.

Shares instruments represent investments in equity funds and direct investments which have quoted market prices in an active market.

Real estate may comprise investments in listed real estate funds or direct investments. Real estates that are held directly are valued annually by an independent expert.

Alternative asset classes derivatives are used for both risk management and return generation purposes, and its fair value is based on market values.

The fiduciary manager is responsible for the selection and deselection of underlying investment managers and funds as well as managing the asset allocation of the plan within agreed guidelines.

Fair value of Investments funds is based on a mixture of market values and estimates. As at December 31, 2014, 76% was based on estimates and as at December 31, 2013, 70% was based on estimates.

Cash and cash equivalents are invested with financial institutions that have at least an "A/BBB" rating.

The table below shows the assets allocation for the pension plan located in the United Kingdom:

	United Kingdom	
(%)	2014	2013
Shares	16	20
Government bonds	6	7
Corporate bonds	17	18
Real Estate	4	4
Liability Driven Investment	36	30
Alternatives	14	12
Investment funds	6	6
Cash and cash equivalents	1	2
Other	-	1
TOTAL	**100**	**100**

North America

In North America (United States and Canada), defined pension benefits are granted through various plans, for which employer contribution rate is governed by the minimum and maximum deductible amount under income tax.

The defined benefits obligation of the North American plans includes benefits for active members (34% of the obligation), deferred members (those who have not yet claimed their pension benefits, 9% of the obligation) and current pensioners (57% of the obligation).

If necessary, pension plans are funded by contributions from the Group and employees based on annual valuations conducted by independent actuaries according to the rules of regulatory authorities of pension funds in the United States and Canada.

The Group's commitments through these funds are managed to limit acquisition of future rights by closing certain funds to new entrants and to optimize their management by the merger of different funds.

In 2013, the Group has decided to freeze the main benefit pension scheme in the United States as at December 31, 2018. From this date, vested rights are frozen and active members can no longer acquire rights in the defined benefit plan. This plan amendment led to recognize a gain of 21 million euros in 2013.

In 2014, a transaction was offered to pensioners of the Defined Benefit schemes in the United States. In exchange of a lump-sum pension benefit payment, these beneficiaries waive their pension rights in the future. The funds paid to beneficiaries 31 million euros and the Group's pension obligation decreased by 47 million euros. This operation was accounted for as a settlement and led to recognize a gain of 16 million euros in 2014.

In 2014, an option was also offered to Group's active members to have the choice at retirement between a lump sum payment or a life annuity. This modification led to a decrease in Group's pension obligation and the recognition of a gain of 12 million euros in 2014.

The expected level of employer contributions for various pension plans is about 47 million euros in 2015, versus 55 million euros in 2014.

Lafarge North America Inc. delegates various responsibilities to two specific Investment Committees, both in the United States and in Canada. These Committees define long-term investment strategies for reducing investment risk as and when appropriate. This includes an asset-liability matching policy which aims to reduce the volatility of the funding level of the pension plan by investing a portion of plan assets in long term bonds which perform similarly to the liabilities of the plan so as to protect against changes to bond yields.

These strategies are revised at least once a year and as often as necessary, especially in the case of significant market developments or changes in the structure of the plans' participants.

These strategies take into account pension masters trust's objectives, benefit obligations and risk capacities. Investment Committees delegate the implementation of investment policies in accordance with investment strategies as well as various principles and objectives to external providers. Plans' assets are managed by external providers in accordance with respective investment strategies.

In 2014, Lafarge North America Inc. has decided to diversify the Equity asset classes. However, it is expected that this diversification will have no impact on short- and long-term expected returns. This diversification is in line with the policy to reduce the volatility of funding level of the pension plan.

The table below shows the assets allocation for the pension plans located in North America:

	North America	
(%)	2014	2013
US Equities	26	32
Canadian Equities	10	10
Overseas Equities	19	17
Emerging markets debt	2	-
High yield debt	3	-
Buy-in annuity	6	-
Corporate bonds	34	40
Cash and cash equivalents	-	1
TOTAL	**100**	**100**

All instruments except the buy-in annuities have quoted market prices in an active market. Corporate bonds generally have a credit rating that is no lower than "A/BBB". Fair value is based on market prices.

Risk exposure

The main risks to which the Group is exposed through pension funds in the United Kingdom and North America are:

- financial asset volatility: the defined benefit obligation is calculated using a discount rate set with reference to the rate of return of high-grade corporate bonds; if the return on financial assets is below this rate, a deficit is created. The financial plan assets (shares, bonds, etc.) have generally a higher return than the discount rate over the long term but are volatile in the short-term, especially since they are measured at fair value for the purposes of the annual financial statements of the Group. The allocation of financial assets is monitored to ensure that it remains appropriate given the scheme's long term objectives;
- changes in bond yields: a decrease in corporate bond rates leads to an increase in the pension obligation as recorded by the Group, although this increase is partially offset by an increase in the value of the financial plan assets (for private corporate bonds);
- life expectancy: most of the benefits guaranteed by the schemes are lifetime benefits; increasing life expectancy thus leads to increase the liabilities;
- inflation: a significant portion of the United Kingdom plan's benefit obligations is indexed to inflation. An increase in inflation leads to an increase of the obligation (although, in most cases, ceilings are set to protect the regime against hyperinflation). Most financial assets are either not affected by or low correlated to inflation, meaning that an increase in inflation will also increase the deficit. The US pension funds no longer expose the Group to a significant risk to inflation given that benefits are not indexed to inflation;
- due to the large number of variables that determine pension funding requirements, which are difficult to predict, as well as any legislative action, future cash funding requirements for our pension plans could be higher than the amounts estimated as at December 31, 2014. Furthermore, in some countries and in certain circumstances, under the rules of the plan, the governance body has the power to ultimately wind-up the plan. To date, there are no grounds that would justify this type of request.

B) END OF SERVICE BENEFITS

End of service benefits are generally lump sum payments based upon an individual's years of credited service and annual salary at retirement or termination of employment. The primary obligations for end of service benefits are in France, Greece, South Korea and Nigeria. These schemes are unfunded.

C) OTHER POST-EMPLOYMENT BENEFITS

In North America, and to a lesser extent in France, in Jordan and in Brazil, certain subsidiaries provide healthcare and insurance benefits to retired employees. These obligations are unfunded.

In 2014, the post-employment medical plans in the United States (US) were modified leading to the recognition of a gain of 32 million euros in operating income. In 2013, a gain of 25 million euros was recognized for the modification of US post-retirement medical plans following the health care reform in the United States.

In North America, the assumed healthcare cost trend rate used in measuring the accumulated post-employment benefit obligation differs between US and Canadian plans.

At the end of 2014, the rate used was 7.0% in the US plan, decreasing to 5.0% in 2019, and 5.0% in the Canadian plan, going forward.

At the end of 2013, the rate used was 7.5% in the US plan, decreasing to 5.0% in 2019, and 6.4% in the Canadian plan, decreasing to 5.0% in 2018.

NOTE 24 PROVISIONS

(million euros)	Restructuring provisions	Site restoration and environmental provisions	Other provisions	Total
AT JANUARY 1, 2013	**74**	**216**	**471**	**761**
Current year addition	31	24	35	90
Current year release	(31)	(20)	(52)	(103)
Cancellation	(11)	(8)	(60)	(79)
Other changes	2	(3)	(47)	(48)
Translation adjustments	(2)	(11)	-	(13)
AT DECEMBER 31, 2013	**63**	**198**	**347**	**608**
Current portion				*104*
Non-current portion				*504*
AT JANUARY 1, 2014	**63**	**198**	**347**	**608**
Current year addition	3	40	80	123
Current year release	(23)	(13)	(41)	(77)
Cancellation	(7)	(26)	(57)	(90)
Other changes	(2)	(7)	11	2
Translation adjustments	-	9	15	24
AT DECEMBER 31, 2014	**34**	**201**	**355**	**590**
Current portion				*75*
Non-current portion				*515*

The restructuring provisions mainly include the employee termination benefits.

Other provisions include:

- 119 million euros (121 million euros as at December 31, 2013) of provisions for tax risks and litigation, of which competition litigation *(see Note 29)*;
- 90 million euros (84 million euros as at December 31, 2013) of provisions related to actual damages, costs and insurance and re-insurance.

NOTE 25 FINANCIAL DEBT

The financial debt split is as follows:

(million euros)	AT DECEMBER 31, 2014	2013
Long-term debt excluding put options on shares of subsidiaries	9,365	10,557
Put options on shares of subsidiaries, long-term	6	23
LONG-TERM DEBT	**9,371**	**10,580**
Short-term debt and current portion of long-term debt excluding put options on shares of subsidiaries	2,045	2,387
Put options on shares of subsidiaries, short-term	-	11
SHORT-TERM DEBT AND CURRENT PORTION OF LONG-TERM DEBT	**2,045**	**2,398**
Total debt excluding put options on shares of subsidiaries	11,410	12,944
Total put options on shares of subsidiaries	6	34
TOTAL DEBT	**11,416**	**12,978**

F

A) ANALYSIS OF DEBT EXCLUDING PUT OPTIONS ON SHARES OF SUBSIDIARIES BY TYPE OF FINANCING

	AT DECEMBER 31,	
(million euros)	2014	2013
Debenture loans	8,845	10,210
Notes / Private placements	987	968
Bank loans and credit lines drawings	1,233	1,422
Commercial paper	-	7
Other debt	345	337
TOTAL DEBT EXCLUDING PUT OPTIONS ON SHARES OF SUBSIDIARIES	**11,410**	**12,944**

Debenture loans, notes and private placements

The Group has a Euro Medium-Term Note (EMTN) program, which allows for a maximum issuable amount of 12,000 million euros. At December 31, 2014, 8,090 million euros had been issued under the EMTN program, including 7,251 million euros of debenture loans and 839 million euros of private placements included under Notes/ Private placements. The weighted average spot interest rate of EMTN issues is 6.5% as at December 31, 2014 with maturities ranging from 2015 to 2038.

At December 31, 2014, debenture loans, mainly consisting of bonds issued in euros, US dollars and British pounds, amount to 8,845 million euros (including 7,251 million euros issued under the EMTN program disclosed above). Weighted average interest rate of these debenture loans is 6.6% at December 31, 2014 (6.7% at December 31, 2013). Their maturities range from 2015 to 2036, with an average maturity of 4 years and 1 month.

Notes and private placements, mainly denominated in euros and in US dollars, amount to 987 million euros at December 31, 2014 (including 839 million euros of private placements issued under the EMTN program disclosed above). Weighted average interest rate of these private placements is 8.4% at December 31, 2014 (8.2% at December 31, 2013).

Bank loans

At December 31, 2014, bank loans total 1,233 million euros and are primarily comprised of loans to Group subsidiaries in their local currencies.

The weighted average interest rate on bank loans is approximately 4.9% at December 31, 2014 (5.2% at December 31, 2013).

Additionally, the Group signed in December 2014 a new bank loan of 500 million euros that could be used between May 28, 2015 and September 30, 2015 and will mature in December 2016. This bank loan contains an optional exit mechanism if the consolidated net debt to Ebitda ratio is higher than 4.75. Such an event would not be considered an event of default and would have no impact on the status of the Group's other financing arrangements.

Committed credit lines

Lafarge S.A. maintains committed credit lines with various banks to ensure the availability of funding on an as needed basis.

At December 31, 2014, committed credit lines amount to 3,000 million euros, fully contracted at Lafarge S.A. level. These committed credit lines are undrawn and therefore fully available at December 31, 2014.

The average non-utilization fee of these credit lines stands at 48.6 basis points at December 31, 2014 (74.5 basis points at December 31, 2013). The average maturity of these credit facilities is 2.7 years at December 31, 2014 (2.8 years at December 31, 2013).

Lafarge S.A signed on 3 June 2014 a new syndicated credit facility. It replaces the one signed on 29 October 2004, then amended on 28 July 2005, on 27 July 2010 and on 19 March 2012. This new syndicated credit facility was signed for an amount of 1,500 million euros. It has a three-year maturity, with two separate options for an additional one year each, at the lenders' discretion. This syndicated credit facility contains an optional exit mechanism, on an individual basis for each participating bank, if the consolidated net debt to Ebitda ratio is higher than 4.75. Such an event would not be considered an event of default and would have no impact on the status of the Group's other financing arrangements.

These facilities have all been amended to allow for the Lafarge – Holcim merger project to take place without triggering any *Change of Control clause*.

In addition, the Group has a 500 million euros facility signed in October 2012 and maturing in June 2020 of which 450 million euros is available at December 31,2014. Drawings under this contract are considered as private placements outside the EMTN program, reason for which it is treated separately from the bank committed credit lines.

Commercial paper

The Group's euro denominated commercial paper program at December 31, 2014 allows for a maximum issuable amount of 3,000 million euros. Commercial paper can be issued in euros, US dollars, Canadian dollars, Swiss francs or British pounds. At December 31, 2014, no commercial paper had been issued under this program (7 million euros as of December 31, 2013). This commercial paper bears an average interest rate close to the European inter-bank offer rate ("Euribor") for maturities generally ranging from 1 to 6 months.

B) ANALYSIS OF DEBT EXCLUDING PUT OPTIONS ON SHARES OF SUBSIDIARIES BY MATURITY

The following table details the contractual maturities of our various loan agreements (excluding put options on shares of subsidiaries), including the undiscounted contractual flows and future interests, based on the closest term the Group can be called for repayment. Under IAS 1, when the Group does not have the unconditional right to defer the term of a financing beyond 12 months, then the financing is accounted for in current liabilities regardless of probable renegotiation considered by the management in order to extend the maturity of the financial instrument.

(million euros)	2015 H1	2015 H2	Contractual flows - less than one year (incl. future interests)	Statement of Financial position - Current Liabilities	2016	2017	2018	2019
Short-term debt and bank overdrafts	572	78	650	641				
Debenture loans / Private placements	1,056	1,145	2,201	1,217	2,484	2,090	1,947	1,475
Other LT financings (including ST portion of LT debt)	468	56	524	187	98	250	96	40
TOTAL	**2,096**	**1,279**	**3,375**	**2,045**	**2,582**	**2,340**	**2,043**	**1,515**

(million euros)	More than 5 years	Contractual flows - more than one year (incl. future interests)	Statement of Financial position - Non Current Liabilities	Total Contractual flows (incl. future interests)	Statement of Financial position - December 31, 2014
Short-term debt and bank overdrafts				650	641
Debenture loans / Private placements	2,402	10,398	8,615	12,599	9,832
Other LT financings (including ST portion of LT debt)	27	511	750	1,035	937
TOTAL	**2,429**	**10,909**	**9,365**	**14,284**	**11,410**

The short-term debt that the Group can refinance on a medium and long-term basis through its committed credit facilities is classified in the consolidated statement of financial position under the section "Long-term debt" (308 million euros as at December 31, 2014 and 7 million euros as at December 31, 2013). The net variation of this debt is shown in the cash flow statement in "proceeds from issuance of long-term debt" when it is positive, and in "repayment of long-term debt" when it is negative. At December 31, 2014, the net variation of this debt amounted to an increase of 301 million euros (compared to an increase of 7 million euros at December 31, 2013).

C) ANALYSIS OF DEBT EXCLUDING PUT OPTIONS ON SHARES OF SUBSIDIARIES BY CURRENCY

	AT DECEMBER 31,			
	2014		2013	
(million euros)	Before swaps	After swaps	Before swaps	After swaps
Euro (EUR)	8,150	8,372	9,815	9,940
US dollar (USD)	2,032	1,366	1,928	1,144
British pound (GBP)	710	629	663	705
Indian rupee (INR)	124	124	93	116
Nigerian naira (NGN)	45	45	104	104
Russian ruble (RUB)	28	346	47	427
Other	321	528	294	508
TOTAL	**11,410**	**11,410**	**12,944**	**12,944**

D) ANALYSIS OF DEBT EXCLUDING PUT OPTIONS ON SHARES OF SUBSIDIARIES BY CATEGORY AND TYPE OF INTEREST RATE

	AT DECEMBER 31,			
	2014		2013	
(million euros)	Before swaps	After swaps	Before swaps	After swaps
Floating rate	1,405	3,360	1,506	3,387
Fixed rate below 6%	3,218	1,218	3,815	1,857
Fixed rate between 6% and 10%	6,091	6,091	6,913	6,936
Fixed rate 10% and over	696	741	710	764
TOTAL	**11,410**	**11,410**	**12,944**	**12,944**

The average spot interest rate of the debt after swaps, as at December 31, 2014, is 6.4% (6.6% as at December 31, 2013).

E) PARTICULAR CLAUSES IN FINANCING CONTRACTS

Financial covenants

At December 31, 2014, Lafarge S.A. financing contracts do not include any financial covenants.

Loan contracts requiring compliance with certain financial covenants exist in some of our subsidiaries. These subsidiaries are located in the following countries: India and Pakistan. Debt with such financial covenants represents approximately 1% of the total Group debt excluding put options on shares of subsidiaries at December 31, 2014. The joint ventures located in the United Arab Emirates, Bangladesh and Qatar also have loan contracts that require compliance with certain financial covenants. They have a low probability of being triggered. Group's agreements and those of Group's subsidiaries also include cross-acceleration clauses. If the Group, or, under certain conditions, its material subsidiaries fail to comply with its or their covenants, then the lenders could declare default and accelerate a significant part of the Group indebtedness.

Given the split of these contracts on various subsidiaries and the quality of the Group liquidity protection, the existence of such clauses cannot materially affect the Group's financial situation.

Change of control clauses

Change of control clauses appear in several of the Lafarge S.A.'s committed credit facilities contracts, which amount to 3,000 million euros. As a consequence, in the event of a change in control of Lafarge S.A., these facilities will be automatically cancelled if undrawn or, if drawn upon, will require immediate repayment. These clauses have been amended to allow for the merger project with Holcim which has been announced on April 7, 2014. Change of control clauses are also included in some debenture loans and private placements, which amount to 7,314 million euros. In case of a change in control, the holders of these notes would be entitled, under certain conditions, to request their repayment. This repayment could also be requested in the hypothesis where, within 6 months of the completion of the merger, the credit rating of the Company was downgraded by one notch by Moody's or Standard and Poor's as a direct consequence of the merger. Moody's and Standard and Poor's have both announced, following the announcement of the merger project on April 7, 2014, they consider that this project would improve the risk profile of Lafarge *(See Note 3 – Significant events of the period – Merger project between Lafarge and Holcim)*.

F) PUT OPTIONS ON SHARES OF SUBSIDIARIES

As part of the acquisition process of certain entities, the Group has granted third party shareholders the option to require the Group to purchase their shares at a price determined on the basis of the market value. These shareholders are either international institutions or private investors, which are essentially financial or industrial investors or former shareholders of the acquired entities. Assuming that all of these options were exercised, the purchase price to be paid by the Group, including debt and cash acquired, would amount to 6 million euros at December 31, 2014 (34 million euros at December 31, 2013). The 6 million euros can be exercised starting in 2017.

Put options granted to non-controlling interests of subsidiaries are classified as debt of the Group. Out of the total options granted by the Group, the options granted to non-controlling interests amounted to 6 million euros and 34 million euros at December 31, 2014 and December 31, 2013, respectively, the remaining options were granted on shares of joint ventures.

The goodwill resulting from put options granted to non-controlling interests amounts is not significant.

Put options on shares of joint ventures are presented in Note 28 as "Commitments related to scope of consolidation".

NOTE 26 FINANCIAL INSTRUMENTS

A) DESIGNATION OF DERIVATIVE INSTRUMENTS FOR HEDGE ACCOUNTING

The Group uses derivative financial instruments to manage market risk exposures. Such instruments are entered into by the Group solely to hedge such exposures on anticipated transactions or firm commitments. The Group does not enter into derivative contracts for speculative purposes.

Certain derivative instruments are designated as hedging instruments in a cash flow or fair value hedge relationship in accordance with IAS 39 criteria.

Other derivatives are willingly not designated as hedges for accounting purposes under IAS 39, as changes in fair value of these derivatives are recorded in financial result in the Group statement of income, as well as the revaluation of underlying risk hedged.

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B) FAIR VALUES

The following table details the carrying amount and fair values of financial instruments:

FINANCIAL INSTRUMENTS IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31

			2014		2013	
(million euros)	IAS 39 category	Fair value category	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS						
Cash	Financial assets at fair value through profit and loss	*Lev. 1*[(1)]	1,708	1,708	1,724	1,724
Cash equivalents	Loans and Receivables at amortized cost	*Lev. 2*[(1)]	253	253	1,387	1,387
Trade receivables	Loans and Receivables at amortized cost		1,597		1,546	
Other receivables	Loans and Receivables at amortized cost		749		703	
Other financial assets		*Lev. 2*	739	739	667	667
Held-to-maturity investments	*Held-to-maturity financial assets at amortized cost*	*Lev. 2*	-	-	-	-
Avalaible-for-sale financial assets	*Available for sale investments at fair value recognized in equity*	See Note 15	*175*	*175*	*251*	*251*
Long-term loans and receivables	*Loans and Receivables at amortized cost*	*Lev. 2*	*509*	*509*	*389*	*389*
Prepaid pension assets	*(excluding the IAS 39 scope)*		*2*		*6*	
Restricted cash	*Financial assets at fair value through profit and loss*	*Lev. 1*	*53*	*53*	*21*	21
Derivative instruments - assets	Refer below	*Lev. 2*	173	173	36	36
LIABILITIES						
Short-term debt and bank overdrafts[(2)]	*Financial liabilities at amortized cost*	*Lev. 2*	641	641	585	585
Trade payables	*Financial liabilities at amortized cost*		1,897		1,830	
Other payables	*Financial liabilities at amortized cost*		1,233		1,279	
Debenture loans / private placements	*Financial liabilities at amortized cost*	*Lev. 1, 2*	9,832	11,221	11,178	12,336
Other long-term financial debt (including current portion)	*Financial liabilities at amortized cost*	*Lev. 2*	937	938	1,181	1,189
Put options on shares of subsidiaries	-	*Lev. 2*	6	6	34	34
Derivative instruments - liabilities	*Refer below*	*Lev. 2*	28	28	15	15
DERIVATIVE INSTRUMENTS						
Interest rate derivative instruments			51	51	18	18
Designated as hedging instruments in cash flow hedge relationship		*Lev. 2*	-	-	*7*	*7*
Designated as hedging instruments in fair value hedge relationship		*Lev. 2*	*42*	*42*	*2*	*2*
Not designated as hedges for accounting purposes		*Lev. 2*	*9*	*9*	*9*	*9*
Foreign exchange derivative instruments			110	110	2	2
Designated as hedging instruments in cash flow hedge relationship		*Lev. 2*	*(1)*	*(1)*	-	-
Designated as hedging instruments in fair value hedge relationship		*Lev. 2*	*1*	*1*	*1*	*1*
Not designated as hedges for accounting purposes		*Lev. 2*	*110*	*110*	*1*	*1*
Commodities derivative instruments			(16)	(16)	1	1
Designated as hedging instruments in cash flow hedge relationship		*Lev. 2*	*(16)*	*(16)*	*1*	*1*
Other derivative instruments			-	-	-	-
Equity swaps not designated as hedges for accounting purposes		*Lev. 2*	-	-	-	-
Embedded derivatives not designated as hedges for accounting purposes		*Lev. 2*	-	-	-	-

(1) *See Note 2.17 and Note 19.*

(2) *Of which 238 million euros of bank overdrafts as at December 31, 2014 (186 million euros of bank overdrafts as at December 31, 2013) and 254 million euros of securitization (282 million euros of securitization as at December 31, 2013).*

Level 1: quoted on financial markets (Note 15).

Level 2: based on market observable data (Note 15).

Level 3: based on internal assumptions (Note 15).

The fair value of financial instruments has been estimated on the basis of available market quotations or the use of various valuation techniques, such as present value of future cash flows. However, the methods and assumptions followed to disclose fair value are inherently judgmental. Thus, estimated fair value does not necessarily reflect amounts that would be received or paid in case of immediate settlement of these instruments.

The use of different estimations, methodologies and assumptions could have a material effect on the estimated fair value amounts. The methodologies used are as follows:

- **cash and cash equivalents, trade receivables, trade payables, short-term bank borrowings:** due to the short-term nature of these balances, the recorded amounts approximate fair value;
- **other financial assets:** marketable securities quoted in an active market are carried at market value with unrealized gains and loss recorded in a separate component of equity. The fair value of securities that are not quoted in an active market and for which there is no observable market data on which the Group can rely to measure their fair value (131 million euros as at December 31, 2014 and 218 million euros as at December 31, 2013) is determined according to the most appropriate financial criteria in each case (discounted present value of cash flows, estimated selling price). If such fair value cannot be reliably measured, securities are carried at acquisition cost;
- **debenture loans:** the fair values of the debenture loans were estimated at the quoted value for borrowings listed on a sufficiently liquid market (11,176 million euros as at December 31, 2014, and 12,296 million euros as at December 31, 2013), or using internal models that rely on market observable data (45 million euros as at December 31, 2014 and 40 million euros as at December 31, 2013);
- **other long-term financial debt:** the fair values of long-term debt were determined by estimating future cash flows on a borrowing-by-borrowing basis, and discounting these future cash flows using a rate which takes into account the Group's spread for credit risk at year end for similar types of debt arrangements;
- **derivative instruments:** the fair values of foreign exchange, interest rate, commodities and equity derivatives were calculated using valuation model based on observable market prices (interest rate, foreign exchange rate, credit risk, volatility).

C) FOREIGN CURRENCY RISK

In the course of its operations, the Group's policy is to hedge all material "operational" foreign currency exposures arising from its transactions using derivative instruments as soon as a firm or highly probable commercial and/or financial commitment is entered into or known. These derivative instruments are limited to forward contracts, foreign currency swaps and options, with a term generally less than one year.

This policy is implemented in all of the Group's subsidiaries, which are required to ensure its monitoring. When allowed by local regulations and when necessary, Group subsidiaries have to hedge their exposures with the Corporate Treasury department. A follow up of risks related to foreign exchange financial instruments is regularly done through internal reporting provided to the management.

The Group's policies tend to reduce potential "financial" foreign currency exposures by requiring all liabilities and assets of controlled companies to be denominated in the same currency as the cash flows generated from operating activities, the functional currency. The Group may amend this general rule under special circumstances in order to take into account specific economic conditions in a specific country such as, inflation rates, interest rates, and currency related issues such as convertibility and liquidity. As an example, the excess cash existing in entities in emerging markets is as much as possible invested in euros or dollars. When needed, currency swaps are used to convert debts, most often raised in euros, into foreign currencies.

See Section 5.1.1 (b) (Financial and market risks) of the Registration Document for more information on our exposure to foreign currency risk.

Foreign currency hedging activity

At December 31, 2014, almost all forward contracts have a maturity date of less than one year. The nominal amount of foreign currency hedging instruments outstanding at year-end is as follows:

(million euros)	AT DECEMBER 31 2014	2013
FORWARD CONTRACT PURCHASES AND CURRENCY SWAPS		
US dollar (USD)	961	1,108
British pound (GBP)	148	130
Other currencies	76	75
TOTAL	**1,185**	**1,313**
FORWARD CONTRACT SALES AND CURRENCY SWAPS		
US dollar (USD)	354	321
British pound (GBP)	36	46
Other currencies	534	689
TOTAL	**924**	**1,056**

Details of the fair value of foreign currency risk hedging instruments in the statement of financial position

At December 31, 2014 and 2013, most of the Group's foreign currency derivatives were not designated as hedges for accounting purposes *(see Note 26 (a) (Designation of derivative instruments for hedge accounting))*. Changes in fair value were recorded directly in the consolidated statement of income. They are broadly compensated by the changes in the value of the hedged items.

	AT DECEMBER 31					
	2014			2013		
(million euros)	Derivatives' fair value	Underlying revaluation	Net impact	Derivatives' fair value	Underlying revaluation	Net impact
ASSETS						
Non-current derivative instruments	-	-	-	-	-	-
Current derivatives instruments	122	-	122	14	-	14
Net revaluation of financial loans and borrowings denominated in foreign currencies	-	-	-	-	-	-
LIABILITIES						
Non-current derivative instruments	-	-	-	-	-	-
Current derivative instruments	12	-	12	12	-	12
Net revaluation of financial loans and borrowings denominated in foreign currencies	-	115	115	-	7	7
NET IMPACT ON EQUITY	**110**	**(115)**	**(5)**	**2**	**(7)**	**(5)**

D) INTEREST RATE RISK

The Group is primarily exposed to fluctuations in interest rates based upon the following:

- price risk with respect to fixed-rate financial assets and liabilities. Interest rate fluctuations impact the market value of fixed-rate assets and liabilities;
- cash flow risk for floating rate assets and liabilities. Interest rate fluctuations have a direct effect on the financial income or expense of the Group.

In accordance with established policies, the Group seeks to mitigate these risks using, to a certain extent, interest rate swaps and options.

A follow up of risks related to interest rate financial instruments is regularly done through internal reporting provided to the management.

Interest rate risk derivatives held at December 31, 2014 were mainly designated as hedging instruments in:

- cash flow hedge relationship for derivatives used to hedge cash flow risk;
- fair value hedge relationship for derivatives used to hedge price risk.

See Section 5.1.1 (b) (Financial and market risks) of the Registration Document for more information on our policy and procedure to interest rate risk.

Interest rate hedging activity

AT DECEMBER 31, 2014

	Less than one year		1 to 5 years		More than 5 years		Total	
(million euros)	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Debt[1]	1,330	715	6,682	689	1,993	1	10,005	1,405
Cash and cash equivalents	-	(1,961)	-	-	-	-	-	(1,961)
NET POSITION BEFORE HEDGING	**1,330**	**(1,246)**	**6,682**	**689**	**1,993**	**1**	**10,005**	**(556)**
Hedging instruments	16	(16)	(1,971)	1,971	-	-	(1,955)	1,955
NET POSITION AFTER HEDGING	**1,346**	**(1,262)**	**4,711**	**2,660**	**1,993**	**1**	**8,050**	**1,399**

(1) *Debt excluding put options on shares of subsidiaries.*

The notional value of interest rate derivative instruments at year-end is as follows:

NOTIONAL CONTRACT VALUES BY MATURITY AT DECEMBER 31,2014[1]

(million euros)	Average rate	2015	2016	2017	2018	2019	> 5 years	Total
Pay fixed ***(designated as cash flow hedge)***								
Euro	-	-	-	-	-	-	-	-
Other currencies	-	-	-	-	-	-	-	-
Pay floating ***(designated as fair value hedge)***								
Euro	0.2%	-	500	1,000	500	-	-	2,000
Other currencies	-	-	-	-	-	-	-	-
Other interest rate derivatives								
Euro	-	-	-	-	-	-	-	-
Other currencies	11.8%	15	15	15	-	-	-	45
TOTAL		**15**	**515**	**1,015**	**500**	**-**	**-**	**2,045**

(1) *The notional amounts of derivatives represent the face value of financial instruments negotiated with counterparties. Notional amounts in foreign currency are expressed in euros at the year-end exchange rate.*

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NOTIONAL CONTRACT VALUES BY MATURITY AT DECEMBER 31, 2013[1]

(million euros)	Average rate	2014	2015	2016	2017	2018	> 5 years	Total
Pay fixed ***(designated as cash flow hedge)***								
Euro	4.6%	42	-	-	-	-	-	42
Other currencies	8.6%	74	-	-	54	-	-	128
Pay floating ***(designated as fair value hedge)***								
Euro	0.3%	-	-	500	1,000	500	-	2,000
Other currencies	-	-	-	-	-	-	-	-
Other interest rate derivatives								
Euro	-	-	-	-	-	-	-	-
Other currencies	-	-	-	-	-	-	-	-
TOTAL		**116**	**-**	**500**	**1,054**	**500**	**-**	**2,170**

(1) *The notional amounts of derivatives represent the face value of financial instruments negotiated with counterparties. Notional amounts in foreign currency are expressed in euros at the year-end exchange rate.*

Details of the fair value of interest rate risk hedging instruments in the consolidated statement of financial position

AT DECEMBER 31

(million euros)	2014			2013		
	Derivatives' fair value	Underlying revaluation	Net impact	Derivatives' fair value	Underlying revaluation	Net impact
ASSETS						
Non-current derivative instruments	51	-	51	13	-	13
Current derivative instruments	-	-	-	9	-	9
LIABILITIES						
Long-term debt	-	42	42	-	2	2
Non-current derivative instruments	-	-	-	2	-	2
Current derivative instruments	-	-	-	2	-	2
NET IMPACT ON EQUITY	**51**	**(42)**	**9**	**18**	**(2)**	**16**

E) COMMODITY RISK

The Group is subject to commodity risk with respect to price changes mainly in the electricity, natural gas, petcoke, coal, oil refined products and sea freight markets.

The Group uses financial instruments to manage its exposure to these risks. At December 31, 2014 and 2013, these derivative instruments were mostly limited to swaps and options. A follow up of risks related to commodity financial instruments is regularly done through internal reporting provided to the management.

See Section 5.1.1 (b) (Financial and market risks) of the Registration Document for more information on our commodity risk hedging policy and procedure.

Commodities hedging activity

The notional value of commodity derivative instruments at year-end is as follows:

NOTIONAL CONTRACT RESIDUAL VALUES BY MATURITY AT DECEMBER 31, 2014[1]

(million euros)	2015	2016	2017	2018	2019	> 5 years	Total
Natural Gas	13	1	-	-	-	-	14
Oil	29	-	-	-	-	-	29
Sea Freight	-	-	-	-	-	-	-
Power	40	29	17	17	-	-	103
Coal	5	-	-	-	-	-	5
Others	-	-	-	-	-	-	-
TOTAL	**87**	**30**	**17**	**17**	**-**	**-**	**151**

(1) *The notional residual amounts of derivatives represent the residual value at December 31 of financial instruments negotiated with counterparties. Notional amounts in foreign currency are expressed in euros at the year-end exchange rate.*

NOTIONAL CONTRACT RESIDUAL VALUES BY MATURITY AT DECEMBER 31, 2013[1]

(million euros)	2014	2015	2016	2017	2018	> 5 years	Total
Natural Gas	3	-	-	-	-	-	3
Oil	26	-	-	-	-	-	26
Sea Freight	-	-	-	-	-	-	-
Power	15	3	-	-	-	-	18
Coal	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
TOTAL	**44**	**3**	**-**	**-**	**-**	**-**	**47**

(1) *The notional residual amounts of derivatives represent the residual value at December 31 of financial instruments negotiated with counterparties. Notional amounts in foreign currency are expressed in euros at the year-end exchange rate.*

Details of the fair value of commodities risk hedging instruments in the statement of financial position

Commodities derivative instruments held at December 31, 2014 and 2013 were all designated as hedging instruments in the cash flow hedge relationship.

Consolidated statement of financial position values of commodity derivative instruments are as follows:

	AT DECEMBER 31	
(million euros)	2014	2013
ASSETS		
Non-current derivative instruments	-	-
Current derivative instruments	1	1
LIABILITIES	-	-
Non-current derivative instruments	2	-
Current derivative instruments	15	1
NET IMPACT ON EQUITY	**(16)**	**-**

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F) COUNTERPARTY RISK FOR FINANCIAL OPERATIONS

The Group is exposed to credit risk in the event of a counterparty's default. The Group has implemented policies to limit its exposure to counterpart risk by rigorously selecting the counterparties with which it executes financial agreements. These policies take into account several criteria (rating assigned by rating agencies, assets, equity base) as well as transaction maturities.

The Group's exposure to credit risk is limited and the Group believes that its counterparty management risk is cautious and in line with market practices but this may not prevent the Group's financial statements from being significantly impacted in case of systemic crisis.

Counterparty risk on the Group's derivative instruments fair value is not significant.

Given the existence of compensation clauses in cases of default in most of Lafarge S.A.'s ISDA or FBF contracts, the Group net exposure related to derivative instruments in assets and liabilities (respectively 174 million euros and 29 million euros as of December 31, 2014) would be 161 million euros and 16 million euros. The potential compensation not compliant with IAS 32 criteria would then amount to 13 million euros.

G) LIQUIDITY RISK

The Group has implemented policies to limit its exposure to liquidity risk. As a consequence of this policy, a significant portion of the Group's debt has a medium or long-term maturity. The Group also maintains committed credit lines with various banks which are primarily used as a back-up for the debt maturing within one year as well as for the short-term financings of the Group and which contribute to the Group's liquidity.

See Section 2.4 (Liquidity and capital resources) of the Registration Document and Note 25 for more information on our exposure to liquidity risk.

H) CAPITAL RISK MANAGEMENT

The Group manages equity from a long-term perspective taking the necessary precautions to ensure its sustainability, while maintaining an optimum financial structure in terms of the cost of capital, the Return On Equity for shareholders and security for all counterparties with which it has ties.

Within this framework, the Group reserves the option, with the approval of shareholders, to issue new shares or to reduce its capital. The Group also has the power to adapt its dividend distribution policy. The Group wishes to adjust its dividend distribution to its medium-term financial performances, notably to earnings per share.

In accordance with common market practices, in managing its financial structure, the Group strives to maintain the cash flow from operations to net debt ratio within a predefined range.

Based on the 2014 consolidated financial statements, the cash flow from operations to net debt ratio was 11.2% compared to 11.8% at year-end 2013.

See Section 2.2.4 (Reconciliation of non-GAAP financial measures) of the Registration Document for more information on the Group's definition of the indicators net debt, equity and cash flow from operations.

See Section 2.4.3 (b) (Net debt and net debt ratios) of the Registration Document for more information on the net-debt-to-equity ratio and the cash flow from operations to net debt ratio for each of the periods presented.

I) CREDIT RISK

Credit risk is defined as the risk of default by a counterpart with respect to its contractual obligations or its payment of debts when due.

The Group is exposed to credit risks in its operations.

The Group's maximum exposure to credit risk as of December 31, 2014 on its short-term receivables is presented in the following table:

	AT DECEMBER 31
(million euros)	2014
Trade receivables (see Note 17)	1,597
Other receivables (see Note 18)	714
TOTAL	**2,311**

The Group considers that the credit risk on overdue and not impaired receivables is not material.

In fact, the Group sells its products to thousands of customers, and customers usually order quantities to meet their short-term needs. Outstanding amounts per customer are, on an individual basis, not significant. The general terms of payment are different across countries however, the Group's average days of payment is around 46 to 60 days.

The Group has implemented procedures for managing and depreciating receivables, which are set by each country. A monthly review of the working capital is performed at both country and Group level, aiming to verify that the monitoring of trade receivables, through the days' receivable ratio, is compliant with the Group's commercial policies.

In addition, the Group has other receivables, loans and long term-receivables for a total amount of 544 million euros and 412 million euros as at December 31, 2014 and 2013, respectively *(see Note 15 and Note 18).*

NOTE 27 OTHER PAYABLES

Components of other payables are as follows:

(million euros)	AT DECEMBER 31, 2014	2013
Accrued payroll expenses	407	413
Accrued interest	265	338
Other taxes	126	116
Payables to suppliers of fixed assets	147	147
Other accrued liabilities	288	265
OTHER PAYABLES	**1,233**	**1,279**
Current portion	*1,173*	*1,211*
Non-current portion	*60*	*68*

"Other accrued liabilities" include payables to suppliers for non-operating services and goods, and payables to joint ventures and associates.

NOTE 28 OFF BALANCE SHEET COMMITMENTS

The procedures implemented by the Group allow all the major commitments to be identified and prevent any significant omissions.

(million euros)	Less than 1 year	1 to 5 years	More than 5 years	At December 31, 2014	At December 31, 2013*
COMMITMENTS GIVEN					
Commitments related to operating activities					
Capital expenditures and other purchase obligations[(1)]	447	912	712	2,071	1,562
Operating leases	209	346	157	712	711
Other commitments	411	49	78	538	364
Commitments related to financing					
Securities pledged	-	-	-	-	6
Assets pledged	135	213	45	393	386
Other guarantees[(2)]	355	348	10	713	587
Scheduled interest payments[(3)]	678	1,578	1,206	3,462	4,289
Net scheduled obligation on interest rate swaps[(4)]	(12)	(32)	-	(44)	(38)
Commitments related to scope of consolidation					
Indemnification commitments	250	377	-	627	555
Put options to purchase shares in joint-ventures	-	-	-	-	-
COMMITMENTS RECEIVED					
Unused committed credit lines	-	3,000	-	3,000	3,435
Other available financing facilities	-	-	450	450	450
Unused bank loans	500	-	-	500	250

* *Figures have been adjusted as mentioned in Note 2 "Summary of significant accounting policies" following the application of IFRS 11 (See Note 2.1).*

(1) *Of which 28 million euros related to joint ventures in 2014.*

(2) *Of which 693 million euros in 2014 and 568 million euros in 2013 related to joint ventures (including 590 million euros for Lafarge Shui On China in 2014 and 522 million euros in 2013).*

(3) *Scheduled interest payments associated with variable rate are computed on the basis of the rates in effect at December 31. Scheduled interest payments include interest payments on foreign exchange derivative instruments.*

(4) *Scheduled interest payments of the variable leg of the swaps are computed based on the rates in effect at December 31.*

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1) COMMITMENTS GIVEN

a) Commitments related to operating activities

In the ordinary course of business, the Group entered into contracts for long term supply for raw materials and energy. Off-balance sheet commitments related to these contracts amount to 1,536 million euros as of December 31, 2014.

The Group is committed as lessee in operating leases for land, building and equipment. The amount in off-balance sheet commitments corresponds to future minimum lease payments. Total rental expense under operating leases was 199 million euros and 228 million euros for the years ended December 31, 2014, and 2013.

Future expected funding requirements or benefit payments related to our pension and post-employment benefit plans are not included in the above table because future long-term cash flows in this area are uncertain. Refer to the amount reported under the “current portion” of pension and other employee benefits liabilities in the statements of financial position or in Note 23 for further information on these items.

The capital expenditures commitments correspond to the cancellation fees in case of settlement of the contract (firm payment obligations for which there is no counterpart in the future).

On November 7, 2014, the Group has entered into a Share and Loan Purchase Agreement with Flour Mills Nigeria Plc, defining a roadmap to purchase, via Nigerian Cement Holdings B.V. a 50% affiliate, Flour Mills Nigeria Plc’s 30% interest in the associate United Cement Company of Nigeria Ltd (Unicem), and the shareholder loans of Flour Mills Nigeria Plc. The total amount of commitments given related to this agreement is 123 million euros as of December 31, 2014.

b) Commitments related to scope of consolidation

As part of its divestment transactions, the Group has granted indemnification commitments, for which the exposure is considered remote, for a total maximum amount still in force at December 31, 2014 of 627 million euros.

In addition in late 2009 the European Bank for Reconstruction and Development (EBRD) increased by 15% its minority stake in our Cement operations in Russia. Starting from December 2015, the Group will have the right to buy back this additional minority stake at fair market value. Assuming that this call option is not exercised, the Group could be induced to sell all or part of its own stake to a third party or to the EBRD.

2) COMMITMENTS RECEIVED

As a reminder, pursuant to the settlement agreement dated June 21, 2012 with Orascom Construction Industries S.A.E. (OCI), warranties are maintained for two specific items.

NOTE 29 LEGAL AND ARBITRATION PROCEEDINGS

In the ordinary course of its business, Lafarge is involved in a certain number of judicial and arbitral proceedings. Lafarge is also subject to certain claims and lawsuits which fall outside the scope of the ordinary course of its business, the most significant of which are summarized below.

The amount of provisions made is based on Lafarge’s assessment of the of the basis for the claims and the level of risk on a case-by-case basis and depends on its assessment of the stage of the proceedings and the arguments in its defense, it being specified that the occurrence of events during proceedings may lead to a reappraisal of the risk at any time.

COMPETITION

Germany – Cement: On April 14, 2003, the German competition authority (the Bundeskartellamt), announced that it was imposing fines on the major German cement companies, including our subsidiary Lafarge Zement, for anti-competitive practices in Germany. Further to the different steps of procedures and decisions from this date, and following a final judgment by the Federal Supreme Court on April 9, 2013, the final net payment borne by our subsidiary pursuant to this procedure amounted to 18.4 million euros.

In parallel to the above closed case, starting in 2006, a civil action was brought before the Dusseldorf District Court (*Landgericht*) by third parties claiming for damages resulting from such anti-competitive practices in Germany. Procedures took place and, on December 17, 2013, the *Landgericht* of Düsseldorf rejected the damage claim and also upheld its position that the claims are time-barred. Claimants lodged an appeal to the Court of Appeal (*Oberlandesgericht*) against the verdict. The hearing took place on November 12, 2014. A decision from the Court of Appeal may be expected in the course of the first half of 2015.

India – Cement: An investigation was started in 2011 against the major players in the cement Indian market. Further to this investigation, by an Order dated June 21, 2012, the Competition Commission of India has found cement manufacturers in violation of the provisions of the Competition Act, 2002, which deals with anticompetitive agreements. The Commission has imposed a penalty on 11 cement manufacturers, including our subsidiary Lafarge India PVT Limited. The Commission has also imposed a penalty on the Indian Cement Manufacturers Association. The penalty imposed on Lafarge India PVT Limited amounts to 4.8 billion rupees (63 million euros [1]), out of a total amount of penalty of 60 billion rupees (782 million euros [1]). Lafarge India PVT Limited vigorously challenges the merits of this order and, on August 31, 2012, lodged an appeal with the Competition Appeal Tribunal (the “COMPAT”) as well as a request for a stay of the collection of the penalty until final judgment of the COMPAT. On May 17, 2013, further to different initial procedural steps, the COMPAT issued an Order, granting a conditional stay, subject to the deposit of 10% of the penalty imposed by the Commission. Hence, Lafarge India PVT deposited the corresponding amount (i.e. 6.7 million euros) on June 24, 2013, while requesting the Tribunal to rectify and reduce this amount due to a calculation error. The application to rectify the amount of deposit will be heard along with the main appeal. Hearings on the merits of the case are ongoing and a final Order by the COMPAT may be expected in the course of 2015. No provision has been recorded.

(1) *Translated using the closing exchange rate.*

United States – Canada – Gypsum: Commencing in December 2012, a series of antitrust cases have been filed against the entire wallboard industry, including Lafarge North America Inc., in federal courts located in several cities, including Philadelphia, Chicago and Charlotte in the United States of America. All these cases have now been consolidated in the Eastern District of Pennsylvania and Plaintiffs have filed a Consolidated Complaint. Plaintiffs generally allege that the industry colluded to raise prices in the years 2012 and 2013. The plaintiffs do not allege any direct evidence of an agreement among the defendants, and instead rely largely on alleged circumstantial evidence. Lafarge North America Inc. believes these lawsuits are without merit and intends to vigorously defend the litigation. No provision has been recorded.

Then, in September 2013, two new class actions were filed, respectively in the jurisdictions of Quebec and Ontario (the latest on behalf of potential claimants in Canada) against the members of the wallboard industry, including our subsidiaries Lafarge Canada Inc. and Lafarge North America Inc. The Plaintiffs allege generally that the industry colluded to raise prices between September 2011 and the date of the claim. Our subsidiaries believe they are without merit and intend to vigorously defend the litigation. No provision has been recorded.

Also on competition matters, there are two industry-wide inquiries which do not constitute judicial proceedings and for which no provision has been recorded:

Europe – Cement: In November 2008, the major European cement players, including Lafarge, were investigated by the European Commission for alleged anti-competitive practices. By a letter dated December 6, 2010, the Commission notified the parties of the opening of an official investigation (which does not however constitute a statement of objection), while reminding them that at that stage, it did not have conclusive evidence of anti-competitive practices. The alleged offences, which are the subject of the detailed investigation, involve any possible restrictions of commercial trade in or upon entry to the European Economic Area, market sharing, and coordination of prices on the cement and related markets (concrete, aggregates). In the case of Lafarge, seven countries are quoted: France, the United Kingdom, Germany, Spain, the Czech Republic, Greece and Austria. Lafarge answered the Commission's various requests for information. During the third quarter of 2012, European officials visited the French, German and European cement association. The completion date of this investigation is unknown and no conclusion can be drawn at this stage.

United Kingdom (UK) – Cement: On January 18, 2012, the UK Office of Fair Trading ("OFT") announced that it had referred the aggregates, cement and ready-mix concrete markets (the "Industry") in the UK to the competition commission (the "UK Commission") for an in-depth sector investigation. The UK Commission conducted this market investigation in relation to the supply of those products. On May 21, 2013, the UK Commission published its provisional findings report (the "Preliminary Report"), alleging the existence of combination of structural and conduct features giving rise to an adverse effect on competition in the Great Britain cement market. On June 25, 2013, Lafarge-Tarmac ("LT") responded to the Preliminary Report, strongly contesting the provisional findings and possible remedies. Then, on October 8, 2013, the UK Commission published its provisional decision on remedies, requiring LT to divest one cement plant together with certain ready-mix plants (if required by a prospective purchaser) and two slag granulators ("Divestiture Package") and imposing some behavioral remedies notably related to the publication of cement market data and price announcement letters. LT responded to this provisional decision on remedies in November 2013. On January 14, 2014, the UK Commission's final report (the "Final Report") was published, confirming the Divestiture Package (but without the requirement for LT to divest the two slag granulators) and the behavioral remedies, and requiring interim undertakings from LT to preserve the possible divestment assets. In March 2014, LT disputed the conclusions of the UK Commission and lodged an appeal before the Competition Appeal Tribunal ("CAT"). By order dated September 11, 2014, the CAT ordered a stay of the proceedings until April 1, 2015, with hearings to take place on or after April 13, 2015. On December 16, 2014, the UK Commission gave consent to the transfer of the Cauldon Assets to the future Lafarge/Holcim business in the UK, as part of their merger project. The interim undertakings given by LT will continue to apply until formally released by the UK Commission or until the market investigation has been finally determined by the UK Commission.

OTHER PROCEEDINGS

United States – Hurricane Katrina: In late 2005, several class action and individual lawsuits were filed in the United States District Court for the Eastern District of Louisiana. In their Complaints, plaintiffs allege that our subsidiary, Lafarge North America Inc. (LNA), and/or several other defendants including the federal government, are liable for death, bodily and personal injury and property and environmental damage to people and property in and around New Orleans, Louisiana. Some of the referenced complaints claim that these damages resulted from a barge under contract to LNA that allegedly breached the Inner Harbor Navigational Canal levee in New Orleans during or after Hurricane Katrina. On May 21, 2009, the Court denied plaintiffs' Motion for Class Certification.

The Judge trial involving the first few plaintiffs commenced in late June 2010. In a ruling dated January 20, 2011, the Judge ruled in favor of LNA. These plaintiffs filed a Notice of Appeal, but then withdrew it. Our subsidiary then filed a Motion for Summary Judgment against all the remaining plaintiffs with claims filed in Federal Court. A Hearing was held by the Court in October 2011 and a decision was handed down in March 2012 granting Summary Judgment in LNA's favor and against all remaining cases filed in the Federal Court. Plaintiffs appealed this decision but afterward, voluntarily dismissed their appeal. A new case was filed against LNA on September 16, 2011 by the Parish of Saint Bernard in Louisiana State Court. LNA moved to remove the case to Federal Court before the same Judge who had the main litigation and has won that Motion. LNA then moved for Summary Judgment against the Parish of Saint Bernard and won this Motion. Plaintiffs appealed this ruling on January 3, 2013 and in a Decision dated December 19, 2013, a three judge panel of the Court of Appeals reversed and remanded the case back to the Trial Court for a Jury Trial (with no official timetable at this stage). LNA vigorously defends itself in this ongoing action. LNA believes that the claims against it are without merit. No provision has been recorded.

Greece – Heracles: In 1999, the European Commission (EC) ruled that part of a state aid granted in 1986 to Heracles, our listed subsidiary in Greece since 2001 was illegal and ordered the Greek state to recover from Heracles the amount of 7.3 million euros plus interest. By virtue of a subsequent letter in 1999, the EC indicated an amount computed based on 18% compound interest. In 2000, Heracles paid the overall amount (74 million euros, including compound interest), and filed a complaint before the Administrative Court of First Instance of Athens (“CFI”). In 2001, the CFI ruled that in the absence of compound interest in the EC ruling, the Greek authorities could not execute an amount with such compound interest, and restricted the amount to be recovered to 25.6 million euros (corresponding to an amount calculated with simple interest). In 2005, after the CFI judgment was confirmed on appeal, the Greek authorities repaid to Heracles 44 million euros. The parties appealed. Several years later, in 2012, the Supreme Administrative Court, ordered the case to be sent back for a new appellate judgment to be issued on the merits of the case. Further to a hearing which took place on February 13, 2014, Heracles became aware that a new appellate judgment was issued. This judgment quashed the CFI judgment of 2001, on the basis of which the Greek Authorities had repaid to Heracles 44 million euros. This new appellate judgment has been officially served to Heracles on October 13, 2014. Heracles disputes the appellate judgment and will defend vigorously against it with the Supreme Administrative Court and will review other actions to challenge the possible enforcement of this judgment which has not been demanded at this stage and it being understood that the appeal with the Supreme Administrative Court is not suspensive. A hearing at the Supreme Administrative Court is scheduled for the second quarter of 2015. No provision has been recorded.

Brazil - Lafarge Brasil SA: On December 31, 2010, in an ExtraOrdinary General Meeting (the “EGM”), the merger of our subsidiary Lafarge Brasil SA into LACIM was approved by the majority of shareholders of Lafarge Brasil SA. The companies *Maringá S.A. Cimento e Ferro Liga* (currently named *Maringá Ferro Liga S.A.*) and *Companhia de Cimento Portland Ponte Alta* (“Maringa” and “Ponte Alta”), both then minority shareholders of Lafarge Brasil SA for a combined ownership of 8.93%, dissented from the merger decision and subsequently exercised their right to withdraw as provided for by the Brazilian Corporation law. In application of such law, an amount of R$ 76.3 million was paid by Lafarge Brasil SA to Maringa and Ponte Alta (value of their shares at book value as reflected on the balance sheet of November 30, 2010).

In February 2011, Maringa filed an injunction to suspend the effects of the EGM. The injunction was denied. In September 2011, the claim was amended to (i) add Ponte Alta as Plaintiff and the former Chief Executive Officer of Lafarge Brasil SA as defendant; and (ii) request to nullify the EGM and the revision of the criteria used to calculate the amount of reimbursement following the exercise of the withdrawal rights. On March 27, 2013, before the Court of first instance, Lafarge Brasil SA was ordered to pay to Maringa and Ponte Alta the amount of approximately R$ 366 million (as of January 2015) (121 million euros[1]), corresponding to the difference between the book value (i.e., R$ 11.90/share) paid in 2011 at the time of the merger and the fair market (economic) value established by an independent expert to determine the exchange ratio for the merger (i.e., R$39.57/share). Both Lafarge Brasil SA and Maringa and Ponte Alta appealed against this decision on June 10, 2013. At the end of December 2014, the Rio de Janeiro Tribunal rejected both appeals on the merits. Lafarge Brasil SA disputes the appellate judgment and will defend vigorously against it before the Superior Court of Justice and will review other actions to challenge the possible enforcement of this judgment. No provision has been recorded.

In connection with disposals made in the past years, Lafarge and its subsidiaries provided customary warranties notably related to accounting, tax, employees, product quality, litigation, competition, and environmental matters. Lafarge and its subsidiaries received or may receive in the future notice of claims arising from said warranties. In view of the current analysis, it is globally concluded that no significant provision has to be recognized in this respect.

Finally, certain Group subsidiaries have litigation and claims pending in the normal course of business. The resolution of these matters should not have any significant effect on the Company’s and/or the Group’s financial position, results of operations and cash flows. To the Company’s knowledge, there are no other governmental, legal or arbitration proceedings which may have or have had in the recent past significant effects on the Company and/or the Group’s financial position or profitability.

NOTE 30 RELATED PARTIES

Lafarge has not entered into any transaction with any related parties as defined under paragraph 9 of IAS 24, except for information described hereafter and in paragraph B) disclosed in Note 31.

Transactions with associates and with joint ventures were not material for the years presented except for a loan granted to our associate in Nigeria (Unicem) amounting to 81 million euros (86 million euros as at December 31, 2013) and to our joint venture in China (Shui On) for 85 million euros as at December 31, 2014 (42 million euros as at December 31, 2013).

See Note 35 (List of significant subsidiaries, joint ventures and investments in associates as at December 31, 2014).

Transactions with other parties or companies related to the Group are as follows:

Within the scope of the purchase of Orascom Building Materials Holding S.A.E. (OBMH) in 2008, the holding company of the Cement activities of Orascom Construction Industries S.A.E. (OCI), Lafarge S.A. has received indemnifications guarantees *(see Note 28)* and entered into a cooperation agreement with OCI. Mr Nassef Sawiris is Chief Executive Officer and Director of Orascom Construction Industries N.V., parent company of OCI and Director of Lafarge S.A., and Mr Jérôme Guiraud is a member of Audit Committee of OCI and a Director of Lafarge S.A.. The cooperation agreement dated December 9, 2007 aims to allow OCI to participate in tenders in respect of the construction of new plants in countries where OCI has the capability to meet certain of Lafarge’s construction needs.

At this stage, the construction agreements entered into with the OCI Group are considered to be arm’s length business transactions, intervening within the framework of consortia, OCI being one of the members. There is no conflict of interest between Mr Nassef Sawiris and Lafarge on this subject. Under these agreements, the outstanding balances with the OCI Group are not significant as at December 31, 2014.

(1) *Translated using the closing exchange rate of January 2015.*

From time to time Directors of the Group, or their related parties, may purchase or sell goods from the Group. These purchases or sales are on the same terms and conditions as those entered into by other Group employees, suppliers or customers.

Certain business relationships between the Group, its Directors and related parties are described in Section 3.1.4 *(Materiality tests on business relationships between the Company and its Directors) of the Registration Document (see also the description of related party agreements and commitments detailed in the special report of the statutory auditors on page F96).*

NOTE 31 EMPLOYEE COSTS AND COMPENSATION TO DIRECTORS AND EXECUTIVE OFFICERS FOR SERVICES

A) EMPLOYEES AND EMPLOYEE COSTS

	AT DECEMBER 31,	
	2014	2013
Management staff	9,383	9,296
Non-management staff	34,888	35,965
TOTAL NUMBER OF EMPLOYEES	**44,271**	**45,261**

	YEARS ENDED DECEMBER 31	
(million euros)	2014	2013
TOTAL EMPLOYEES COSTS	**1,917**	**2,001**

B) COMPENSATION TO DIRECTORS AND EXECUTIVE OFFICERS' FOR SERVICES

The table below presents the compensation by Lafarge S.A. and its subsidiaries to executives who are, at closing date or have been during the period, members of the Board of Directors or of the Group Executive Committee. The Group Executive Committee is composed as defined in *Section 3.3 – Executive Officers – of the Registration Document*:

	YEARS ENDED DECEMBER 31	
(million euros)	2014	2013
Board of Directors(1)	0.7	0.6
Senior Executives	30.1	16.5
Short-term benefits (fixed salary and variable)	*10.4*	*11.1*
Post-employment benefits(2)	*16.6*	*0.8*
Other long-term benefits	*-*	*0.8*
Share-based payments(3)	*3.1*	*3.8*
TOTAL	**30.8**	**17.1**

(1) *Directors' fees.*
(2) *Change for the year in post-employment benefit obligation.*
(3) *Expense of the year estimated in accordance with principles described in Note 2.24.*

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NOTE 32 SUPPLEMENTAL CASH FLOW DISCLOSURES

A) CASH FLOW INFORMATION RELATED TO INVESTING ACTIVITIES

The cash flows from investments in subsidiaries and joint venture include the purchase price consideration paid for the acquisitions less the cash acquired. No significant acquisition settled in cash occurred in 2014 and in 2013.

The cash flows from disposal of assets include the selling price, net of disposal costs and tax and less the cash disposed of. The impact of the disposals in the statement of income is detailed in Note 5. The main disposals in 2014 are more fully described in Note 3.

	YEARS ENDED DECEMBER 31	
	2014	2013
CASH FLOWS FROM DISPOSALS OF ASSETS	**1,084**	**1,069**
of which:		
Disposal of our Gypsum activities (United States)	-	498
Disposal of our cement operations in Honduras	-	144
Creation of the joint venture Lafarge Tarmac and disposal of business portfolio	-	85
Disposal of aggregates assets in Georgia (United States)	-	115
Disposal of our cement operations in Ukraine	-	83
Disposal of our cement operations in Ecuador	364	-
Disposal or our investment in Mexico	142	-
Disposal of our minority stake in European and South American gypsum operations (Etex)	138	-
Disposal of Korino cement plant in Russia	102	-
Disposal of aggregates assets in Maryland and in New Mexico (United States)	277	-
Others	61	144

B) CASH FLOW INFORMATION RELATED TO FINANCING ACTIVITIES

The lines "Acquisitions/disposals of ownership interests with no gain/loss in control" reflect the cash impact of acquisition and disposal of non-controlling interests (minority interests), net of related acquisition/disposal costs *(see Note 2)*.

2014

No material acquisitions of ownership interests with no gain of control occurred in 2014.

No material disposals of ownership interests with no loss of control occurred in 2014.

2013

No material acquisitions of ownership interests with no gain of control occurred in 2013.

"Disposals of ownership interests with no loss of control" amounts to 188 million euros and essentially includes the cash proceeds arising from the disposal of non-controlling interests in India.

NOTE 33 AUDITORS' FEES AND SERVICES

The fees of the statutory auditors and members of their networks corresponding to the allowable missions incurred by the Group over the last two years are detailed below. These fees include joint ventures for the Group's share.

	DELOITTE & ASSOCIÉS				ERNST & YOUNG ET AUTRES			
	Amount (excl. tax)		%		Amount (excl. tax)		%	
(million euros)	2014	2013	2014	2013	2014	2013	2014	2013
AUDIT FEES								
Audit, attestation and review of individual and consolidated financial statements	6.4	6.3	73%	92%	5.8	5.7	78%	85%
Lafarge S.A.	*1.6*	*1.6*	*18%*	*23%*	*1.4*	*1.4*	*19%*	*21%*
Subsidiaries and joint ventures	*4.8*	*4.7*	*55%*	*69%*	*4.4*	*4.3*	*59%*	*64%*
Audit-related Fees(1)	2.0	0.4	23%	6%	1.4	0.8	19%	12%
Lafarge S.A.	*1.3*	*0.2*	*15%*	*3%*	*0.6*	*0.2*	*8%*	*3%*
Subsidiaries and joint ventures	*0.7*	*0.2*	*8%*	*3%*	*0.8*	*0.6*	*11%*	*9%*
SUB-TOTAL	**8.4**	**6.7**	**96%**	**98%**	**7.2**	**6.5**	**97%**	**97%**
OTHER FEES								
Tax fees(2)	0.4	0.1	4%	2%	0.2	0.2	3%	3%
Legal and Employment fees	-	-	-	-	-	-	-	-
Information technology	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
SUB-TOTAL OTHER FEES	**0.4**	**0.1**	**4%**	**2%**	**0.2**	**0.2**	**3%**	**3%**
TOTAL FEES	**8.8**	**6.8**	**100%**	**100%**	**7.4**	**6.7**	**100%**	**100%**

(1) *Audit-related fees are generally fees billed for services that are closely related to the performance of the audit or review of financial statements. These include due diligence services related to acquisitions, consultations concerning financial accounting and reporting standards, attestation services not required by statute or regulation, information system reviews.*

(2) *Tax fees are fees for services related to international and domestic tax compliance, including the review of tax returns and tax services regarding statutory, regulatory or administrative developments and expatriate tax assistance and compliance.*

NOTE 34 SUBSEQUENT EVENTS

No subsequent event.

NOTE 35 LIST OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES AT DECEMBER 31, 2014

The companies listed below are consolidated using the full method or equity method based on the principles of consolidation described in Note 2.2 and meet at least one of the following criteria:

- contribution of over 25 million euros to the Group revenue;
- contribution of over 250 million euros to the Group total assets.

PRINCIPAL SUBSIDIARIES OF THE GROUP

Companies	Country	Cement	Aggregates & Concrete	Other	% of interest	Listed entity
Lafarge Ciment de M'sila "LCM"	Algeria	■	–	–	99.99	–
Lafarge Béton Algérie "LBA"	Algeria	–	■	–	99.50	–
Lafarge Ciment Oggaz "LCO"	Algeria	■	–	–	99.99	–
Lafarge Logistique Algérie "LLA"	Algeria	■	–	–	99.50	–
Lafarge Zementwerke GmbH	Austria	■	–	–	70.00	–
Centralbeton LTDA	Brazil	–	■	–	99.75	–
Lafarge Brasil SA	Brazil	■	–	–	99.76	–
Cimenteries du Cameroun	Cameroon	■	–	–	54.73	–
Lafarge Canada Inc.	Canada	■	■	■	100.00	–
Lafarge Cement a.s.	Czech Republic	■	–	–	67.98	–
Lafarge Cement Egypt SAE	Egypt	■	–	–	53.70	–
Lafarge Ready Mix SAE	Egypt	–	■	–	100.00	–
Granulats Bourgogne Auvergne	France	–	■	–	70.00	–
Lafarge Bétons France	France	–	■	–	100.00	–
Lafarge Ciments	France	■	–	–	100.00	–
Lafarge Ciments Distribution	France	■	–	–	100.00	–
Lafarge Ciments Réunion	France	■	–	–	82.92	–
Lafarge Granulats France	France	–	■	–	100.00	–
Société des Ciments Antillais	France	■	–	–	69.73	–
Lafarge Zement Karsdorf GmbH	Germany	■	–	–	100.00	–
Lafarge Zement Wössingen GmbH	Germany	■	–	–	100.00	–
Heracles General Cement Company S.A.	Greece	■	–	–	88.99	■
Lafarge Beton Industrial Commercial SA	Greece	–	■	–	88.99	–
Lafarge Cement Hungary Ltd	Hungary	■	–	–	70.00	–
Lafarge India PVT Limited	India	■	–	–	85.97	–
Lafarge Aggregates & Concrete India Private Limited	India	–	■	–	85.97	–
Pt Lafarge Cement Indonesia	Indonesia	■	–	–	100.00	–
Bazian Cement Company Limited	Iraq	■	–	–	70.00	–
United Cement Company Limited	Iraq	■	–	–	60.00	–
Lafarge Company for Construction Contracting and General Trading, Ltd	Iraq	–	■	–	77.10	–
Arabian Concrete Supply Cement	Jordan	–	■	–	25.64	–
Jordan Cement Factories Company PSC	Jordan	■	–	–	50.28	■
Bamburi Cement Ltd.	Kenya	■	–	–	58.60	■
Lafarge Cement Malawi Ltd	Malawi	■	–	–	100.00	–
Lafarge (Mauritius) Cement Ltd	Mauritius	■	–	–	58.36	–
CMCM Perniagaan sdn bhd	Malaysia	■	–	–	51.00	–
Lafarge Malaysia Berhad	Malaysia	■	–	–	51.00	■
Lafarge Cement sdn bhd	Malaysia	■	–	–	51.00	–
Lafarge Concrete (Malaysia) sdn bhd	Malaysia	–	■	–	47.56	–

Companies	Country	Cement	Aggregates & Concrete	Other	% of interest	Listed entity
Lafarge Ciment (Moldova) SA	Moldova	■	–	–	95.31	■
Ashakacem Plc	Nigeria	■	–	–	42.63	■
Lafarge Africa Plc. (ex Lafarge Cement Wapco Nigeria Plc.)	Nigeria	■	–	–	72.74	■
Lafarge Ready-Mix Nigeria	Nigeria	–	■	–	72.74	–
Lafarge Pakistan Cement Limited	Pakistan	■	–	–	75.86	■
Lafarge Holdings (Philippines) Inc	Philippines	■	–	–	100.00	–
Lafarge Cement S.A.	Poland	■	–	–	100.00	–
Lafarge Kruszywa i Beton	Poland	–	■	–	100.00	–
Lafarge Ciment (Romania) S.A.	Romania	■	–	–	98.56	–
OAO Lafarge Cement	Russia	■	–	–	75.00	–
Lafarge Beocinska Fabrika Cementa	Serbia	■	–	–	100.00	–
Lafarge Cement Singapore Pte Ltd	Singapore	■	–	–	51.00	–
Lafarge Aggregates South Africa (Pty) Ltd	South Africa	–	■	–	72.74	–
Lafarge Gypsum (Pty) Ltd.	South Africa	–	–	■	100.00	–
Lafarge Industries South Africa (Pty) Ltd	South Africa	■	■	–	72.74	–
Lafarge Halla Cement Corporation	South Korea	■	–	–	97.10	–
Lafarge Aridos y Hormigones, S.A.U.	Spain	–	■	–	100.00	–
Lafarge Cementos, S.A.U.	Spain	■	■	–	100.00	–
Lafarge Mahaweli Cement (Private) Limited	Sri Lanka	■	–	–	90.00	–
Cementia Trading AG	Switzerland	■	–	–	100.00	–
Lafarge Cement Syria	Syria	■	–	–	98.67	–
Mbeya Cement Company Limited	Tanzania	■	–	–	61.50	–
Hima Cement Ltd.	Uganda	■	–	–	71.01	–
Klesivskiy Karier Nerudnykh Kopalyn "Technobud"	Ukraine	–	■	–	65.00	–
Lafarge Building Materials Inc.	USA	■	–	–	100.00	–
Lafarge North America Inc.	USA	■	■	■	100.00	–
Lafarge Cement Zambia PLC	Zambia	■	–	–	75.00	■
Lafarge Cement Zimbabwe Limited	Zimbabwe	■	–	–	76.46	■

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PRINCIPAL JOINT VENTURES OF THE GROUP

Companies	Country	Cement	Aggregates & Concrete	Other	% of interest	Listed entity
Lafarge Surma Cement Limited	Bangladesh	■	–	–	29.44	■
Groupement SCB Lafarge	Benin	■	–	–	50.00	–
Lafarge Chongqing Cement Co., Ltd.	China	■	–	–	43.68	–
Lafarge Dujiangyan Cement Co. Ltd.	China	■	–	–	32.82	–
Lafarge Shui On (Dongjun) Cement Co., Ltd	China	■	–	–	55.00	–
Zunyi Sancha Lafarge Shui On Cement Co., Ltd.	China	■	–	–	55.00	–
Karbala Cement Manufacturing Ltd	Iraq	■	–	–	51.00	–
Lafarge Ciments	Morocco	■	–	–	34.93	■
Readymix Qatar W.L.L.	Qatar	–	■	–	49.00	–
Dalsan Alci Sanayi Ve Ticaret AS	Turkey	–	–	■	50.00	–
Lafarge Emirates Cement LLC	United Arab Emirates	■	–	–	50.00	–
Lafarge Tarmac Holdings Ltd	United Kingdom	■	■	–	50.00	–

PRINCIPAL ASSOCIATES OF THE GROUP

Companies	Country	Cement	Aggregates & Concrete	Other	% of interest	Listed entity
United Cement Company of Nigeria Ltd	Nigeria	■	–	–	25.46	–
AlSafwa Cement Company	Saudi Arabia	■	–	–	25.00	–

STATUTORY ACCOUNTS DECEMBER 31, 2014

STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the Company annual financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the Company annual financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the Company annual financial statements. This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to the shareholders. This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

FOR THE YEAR ENDED DECEMBER 31, 2014

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you for the year ended December 31, 2014 on:

- the audit of the accompanying annual financial statements of LAFARGE,
- the justification of our assessments,
- the specific verifications and information required by law.

These annual financial statements have been approved by the Board of Directors. Our role is to express an opinion on these annual financial statements, based on our audit.

I. OPINION ON THE ANNUAL FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection to obtain audit evidence about the amounts and disclosures in the annual financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the annual financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the annual financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as of December 31, 2014 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code *(Code de Commerce)* relating to the justification of our assessments, we bring to your attention the following matters:

Note "2.3 Financial assets" to the annual financial statements describes the accounting policies and methods applied to investments and states that the earnings outlooks are established based on currently available information and are in keeping with the current economic crisis or political instability affecting some of the Group's markets. These forecasts do not reflect any major disruption of the economical or geopolitical environment. Our work consisted in reviewing available documents and assessing the reasonableness of adopted valuations and the appropriateness of the information disclosed in the notes to the annual financial statements.

The assessments were made as part of our audit of the annual financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the annual financial statements of the information given in the management report of the Board of Directors and in the documents addressed to shareholders with respect to the financial position and the annual financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code *(Code de commerce)* relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the annual financial statements, or with the underlying information used to prepare these annual financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders or holders of the voting rights has been properly disclosed in the management report.

Neuilly-sur-Seine and Paris-La Défense, March 6, 2015

The Statutory Auditors

DELOITTE & ASSOCIÉS		ERNST & YOUNG et Autres	
French original signed by		French original signed by	
Arnaud de Planta	Frédéric Gourd	Alain Perroux	Nicolas Macé

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COMMENTS ON INCOME AND FINANCIAL POSITION STATEMENTS

The financial statements for year 2014 show a net income after tax of 144 million euros to be compared with 462 million euros in 2013.

- These results reflect the following events:
  - the significant decline in operating income of -108 million euros, mainly as a result of the costs of the projected merger with Holcim Ltd;
  - the net financial income deteriorated by -259 million euros. The decrease in dividend received of -332 million euros being partly offset by a decrease in net financial expenses of 71 million euros;
  - the exceptional gain of 5 million euros corresponds primarily to the reversal of provisions for bonus share awards;
  - the income tax amount includes 92 million euros already received or receivable from subsidiaries in the Group tax regime.
- The main variations in the statement of financial position are:
  - the change in the gross value of subsidiaries of -30 million euros is mainly due to the reduction of capital of Lafarge Brasil S.A.;
  - the increase in provisions for losses and contingencies of 46 million euros due to the provision recorded on the contingencies in relation with the merger;
  - the net increase in borrowings, loans and short and long term advances to Group entities for 905 million euros;
  - the increase in equity of 181 million euros, before profit, resulting from the appropriation of undistributed income for 173 million euros and from capital increases for 8 million euros;
  - the 562 million euros decrease in net debt which stood at 10,777 million euros at December 31, 2014.

On December 31, 2014 gross debt includes bonds for 10,008 million euros, borrowings from Group companies for 378 million euros and other borrowings from financial institutions for 651 million euros.

APPROPRIATION OF EARNINGS

The Board of Directors on February 23rd, 2015 decided to propose to the General Meeting an appropriation of the earnings for financial year 2014 that allows a normal dividend of 1.27 euro per share and a loyalty dividend of 1.39 euro per share, as follows:

Origins:	
Earnings	144,018,217.48
Retained earnings[(1)]	1,726,529,653.56
TOTAL	**1,870,547,871.04**
Appropriation	
Legal reserve	70,514.80
Dividend[(2)]	
- first dividend (5% of the par value of the share)	57,494,229.20
- additional dividend (total dividend - first dividend)	307,594,126.22
- maximum amount of the 10% increase	2,643,447.72
- total dividend	367,731,803.14
Retained earnings	1,502,745,553.10
TOTAL	**1,870,547,871.04**

(1) *After adjustments relating to events not taken into account on the date on which the appropriation of earning submitted to the previous Shareholders' Meeting was completed (a) dividend received in relation to new shares giving right to dividend created before the dividend detachment date, which amounted to 121,948 euros, (b) dividend received in relation to shares held by the Company on the dividend detachment date, which amounted to 52,970 euros, (c) acquisition of the right to the 10% increase of the dividend for some registered shares before payment of the dividend, corresponding to 220,597.60 euros.*

(2) *This amount (and retained earnings) will be adjusted, if need be, to take into account the consequences of the realization of the following events (a) creation of new shares giving right to dividend before the ex-dividend date, (b) variation of the number of treasury shares before the ex-dividend date, (c) loss of the right to the 10% increase of the dividend for certain registered shares before the dividend becomes eligible for payment and (d) regularization on dividends paid for past financial year(s).*

We remind the Shareholders' Meeting that the dividends distributed in previous years were as follows:

Year	2013	2012	2011
Number of shares	287,365,397	287,255,502	287,247,518
Normal dividend per share	1.00	1.00	0.50
Loyalty dividend per share	1.10	1.10	0.55

STATEMENTS OF INCOME

(million euros)	NOTES	YEARS ENDED DECEMBER 31, 2014	2013
Production sold (services)		507	506
Provision reversals	3	5	21
Operating Revenue		**512**	**527**
Other purchases and external charges		(397)	(350)
Duties and taxes		(9)	(11)
Employee expenses		(150)	(153)
Depreciation and amortization	3	(24)	(24)
Provision allowance	3	(75)	(24)
Operating expenses		**(655)**	**(562)**
OPERATING INCOME		**(143)**	**(35)**
Income from investments	4	892	1,218
Interest and similar income	5	88	78
Foreign exchange gains		22	33
Provision reversals	6	1	4
Financial Income		**1,003**	**1,333**
Interest and similar expenses	7	(765)	(814)
Foreign exchange losses		(15)	(31)
Provision allowance	6	(8)	(14)
Financial Expenses		**(788)**	**(859)**
NET FINANCIAL INCOME/(COST)		**215**	**474**
CURRENT OPERATING INCOME BEFORE TAX		**72**	**439**
EXCEPTIONAL INCOME/(LOSS)	8	**5**	**(23)**
Income tax credit/(expense)	9	67	46
NET INCOME		**144**	**462**

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BALANCE SHEETS

ASSETS

AT DECEMBER 31,

(million euros)	NOTES	2014 Gross amount	2014 Depreciation, amortization, impairment	2014 Net amount	2013 Net amount
Intangible assets and property, plant and equipment	*10*	**241**	**144**	**97**	**93**
Financial assets[1]	*11*	**26,274**	**0**	**26,274**	**25,754**
Investments	*29*	25,242	0	25,242	25,272
Long-term receivables from investments	*21*	1,021	0	1,021	471
Other financial assets		11	-	11	11
NON-CURRENT ASSETS		**26,515**	**144**	**26,371**	**25,847**
Other receivables	*21*	1,437	0	1,437	2,395
Marketable securities	*12*	4	-	4	1
Cash and cash equivalents		256	-	256	1,209
CURRENT ASSETS		**1,697**	**0**	**1,697**	**3,605**
Debenture redemption premiums	*14*	18	-	18	26
Cumulative translation adjustments	*14*	440	-	440	278
TOTAL ASSETS		**28,670**	**144**	**28,526**	**29,756**
(1) *Of which less than one year*				*32*	*25*

EQUITY AND LIABILITIES (BEFORE APPROPRIATION)

AT DECEMBER 31,

(million euros)	NOTES	2014	2013
Common stock		1,150	1,149
Additional paid-in capital		9,863	9,856
Revaluation reserves		3	3
Legal reserve		115	109
Other reserves		649	649
Retained earnings		1,727	1,560
Net income for the year		144	462
Tax-driven provisions		1	1
NET EQUITY	*15*	**13,652**	**13,789**
PROVISIONS FOR LOSSES AND CONTINGENCIES	*16*	**221**	**175**
Debenture issues		10,008	11,420
Bank borrowings[1]		651	769
Other loans and commercial paper		378	360
Financial debt	*18*	**11,037**	**12,549**
Tax and employee-related liabilities		59	48
Other liabilities	*21*	3,341	2,863
LIABILITIES[2]		**14,437**	**15,460**
Cumulative translation adjustments	*14*	216	332
TOTAL EQUITY AND LIABILITIES		**28,526**	**29,756**
(1) *Of which current bank overdrafts*		*1*	*10*
(2) *Of which less than one year*		*4,931*	*4,885*

STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31,	
(million euros)	2014	2013
CASH FLOW FROM OPERATIONS[(1)]	**222**	**518**
Change in working capital	1,170	8
NET CASH FROM OPERATING ACTIVITIES (I)	**1,392**	**526**
Capital expenditure	(28)	(26)
Investments	(3)	0
Repayment of investments	33	217
Net decrease in loans and miscellaneous	(550)	27
Disposals of assets	0	0
NET CASH FROM INVESTING ACTIVITIES (II)	**(548)**	**218**
Proceeds from issuance of common stock	7	3
Dividends paid	(289)	(289)
NET CASH USED IN/FROM CAPITAL TRANSACTIONS (III)	**(282)**	**(286)**
(INCREASE)/DECREASE IN NET DEBT (I+II+III)	**562**	**458**
NET DEBT AT YEAR END	**10,777**	**11,339**
Debt	11,037	12,549
Marketable securities	(4)	(1)
Cash and cash equivalents	(256)	(1,209)

(1) *Cash flow from operations mainly comprises net income (+144 million euros) before depreciation and amortization (+32 million euros), provisions (-46 million euros).*

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NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT EVENTS OF THE PERIOD

On April 7, 2014, Lafarge and Holcim announced the project to combine the two companies through a merger of equals to create LafargeHolcim, the most advanced group in the building materials industry. The Boards of Directors of both companies have approved the project. The costs incurred over the year as part of this project amounted to 126 million euros. (See Note 27)

NOTE 2 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the provisions set forth in the French General Chart of Accounts ("Plan Comptable Général" – ANC regulation 2014-03). The accounting policies applied by the Company are described below:

2.1 INTANGIBLE ASSETS

Intangible assets are recorded at acquisition cost and mainly include purchased software and related development costs.

These assets are amortized on a straight-line basis over five to seven years from the date of commissioning.

2.2 PROPERTY, PLANT AND EQUIPMENT

Property plant and equipment are recorded at historical cost, except for those items purchased before December 31, 1976 that have been recorded based on their revalued amounts (legal revaluation).

Depreciation is recorded using the straight-line method (except for computer hardware, which is depreciated using the declining balance method) over the estimated useful life of items of property, plant and equipment as follows:

- buildings: 25 years;
- equipment: 3 to 10 years;
- vehicles: 4 years.

Accelerated depreciation classified in the balance sheet under tax driven provisions is recorded when the fiscally authorized period is less than the estimated useful life or when the depreciation method is different.

2.3 FINANCIAL ASSETS

Investments

The gross value of investments is equal to the purchase price excluding acquisition costs, after the 1976 revaluation adjustment for investments purchased before this date.

Acquisition costs are expensed in the fiscal year.

When the current value is less than the gross value, a provision for impairment is recognized in the amount of the difference. The current value is determined taking into account the share of net equity held, the earnings outlook or the quoted market price, if relevant.

The earnings outlook is determined using either an estimate cash flows approach or a market approach (multiple of gross operating income). It is established based on currently available information. Such estimates are prepared on the assumption of going concern, are established based on currently available information and are in keeping with the current economic crisis or political instability affecting some of the Group's markets. These forecasts do not reflect any major disruption of the economical or geopolitical environment.

When the Company's share in the net equity of the investment is negative, a provision for contingencies is recorded, if justified.

Long-term receivables from investments

These are long-term loans granted to companies held directly or indirectly by Lafarge S.A. Long-term receivables from investments are recorded at their nominal value.

Long-term receivables from investments are distinguished from current accounts received or granted to subsidiaries, used for daily cash management.

An impairment loss is recognized in the event of risk of non-recovery.

Treasury shares

Lafarge S.A. treasury shares are classified as "Financial assets" in the balance sheet except when they are earmarked to cover purchase option plans and performance share plans.

2.4 MARKETABLE SECURITIES

Shares are valued in accordance with CRC regulation 2008-15.

Lafarge S.A. treasury shares are classified as "Marketable securities" in the balance sheet when they are earmarked to cover purchase option plans and performance share plans.

When plans are likely to be exercised and a cash outflow is probable, a provision for contingencies is recorded for the corresponding shares, equal to the difference between the value of shares allocated to the plans and the exercise price of each of the plans. For Lafarge S.A. employees, this provision is spread out over the vesting period.

When plans are not likely to be exercised, an impairment loss is recognized for the corresponding shares if the market price of the shares is lower than the gross value.

2.5 FOREIGN CURRENCY – DENOMINATED TRANSACTIONS

Payables and receivables denominated in foreign currencies are translated into euros using the period end closing exchange rate. The resulting unrealized exchange gains or losses are recorded in the translation adjustment accounts in the balance sheets.

Unrealized exchange losses are provided in full, except when offset by unrealized foreign exchange gains on payables and receivables or on off-balance sheet commitments expressed in the same currency and with similar maturities.

2.6 INTEREST RATE DERIVATIVES

Gains and losses on these contracts are calculated and recognized to match the recognition of income and expenses on the hedged debt.

2.7 BOND ISSUE AND REDEMPTION PREMIUMS

Bond issues to be redeemed with a premium are recognized in liabilities on the balance sheet for their total amount, including redemption premiums. An offsetting entry is then made for redemption premiums which are recognized in assets and amortized on a straight-line basis over the term of the bond issue. Other expenses and commission relating to these bonds are expensed in the financial year incurred.

2.8 NET EQUITY

Expenses relating to capital increases are deducted from additional paid-in capital.

2.9 PROVISIONS FOR LOSSES AND CONTINGENCIES

A provision is recognized when an obligation which is probable or certain will result in an outflow of resources with no offsetting entry.

2.10 INCOME TAX

Lafarge S.A., together with its French subsidiaries held directly or indirectly more than 95%, has elected to report income tax under the tax group regime as defined in Article 223A and following of the French General Tax Code (CGI).

The tax savings resulting from the difference between the income tax recorded separately for each of the consolidated entities and the income tax calculated based on the taxable results of the consolidated group is recorded at Lafarge S.A.

Lafarge S.A. is liable to the French Treasury for the full tax charge calculated based on the profits and losses of all tax group companies.

2.11 RETIREMENT BENEFIT OBLIGATION

Provisions are recognized to cover termination benefits and other post-retirement benefits. These provisions are based on periodic actuarial valuations performed using the projected unit credit method.

This method takes into account seniority, life expectancy and Company employee turnover, as well as salary increase and discounting assumptions.

Actuarial gains and losses resulting from a change in actuarial assumptions or experience adjustments are recognized when they exceed a corridor corresponding to 10% of the value of obligations. They are amortized over the average expected remaining service lives of the plans' beneficiaries.

NOTE 3 DEPRECIATION AND AMORTIZATION, OPERATING PROVISION (ALLOWANCE) REVERSAL

3.1 DEPRECIATION AND AMORTIZATION

(million euros)	2014	2013
Intangible assets	(21)	(21)
Property, plant and equipment	(3)	(3)
DEPRECIATION AND AMORTIZATION	**(24)**	**(24)**

3.2 OPERATING PROVISION (ALLOWANCE) REVERSAL

	2014		2013	
(million euros)	Allowance	Reversal	Allowance	Reversal
Pensions obligations and end-of-service benefits[1]	(26)	3	(23)	10
Other operating provisions	(49)	2	(1)	11
OPERATING PROVISION (ALLOWANCE) REVERSAL	**(75)**	**5**	**(24)**	**21**

(1) *See Note 17 "Pension benefit obligations" for more information.*

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NOTE 4 FINANCIAL INCOME FROM INVESTMENTS

(million euros)	2014	2013
Dividends received from French subsidiaries	585	751
Dividends received from foreign subsidiaries	256	422
DIVIDENDS RECEIVED	**841**	**1,173**
INCOME ON LONG-TERM RECEIVABLES FROM INVESTMENTS	**51**	**45**
TOTAL FINANCIAL INCOME FROM INVESTMENTS	**892**	**1,218**

NOTE 5 INTEREST AND SIMILAR INCOME

Interest and similar income breaks down as follows:

(million euros)	2014	2013
Revenue from current account advances to Group companies	65	57
Other	23	21
INTEREST AND SIMILAR INCOME	**88**	**78**

NOTE 6 FINANCIAL PROVISION (ALLOWANCE) REVERSAL

Financial provision (allowances) reversals break down as follows:

	2014		2013	
(million euros)	Allowance	Reversal	Allowance	Reversal
Investment	-	-	-	4
LT receivable for investment	-	-	-	-
IMPAIRMENT OF ASSETS	**0**	**0**	**0**	**4**
Foreign exchange loss	-	-	-	-
Other	-	1	(1)	-
PROVISIONS FOR LOSSES AND CONTINGENCIES	**0**	**1**	**(1)**	**0**
REDEMPTION PREMIUMS	**(8)**	-	**(13)**	-
TOTAL	**(8)**	**1**	**(14)**	**4**

NOTE 7 INTEREST AND SIMILAR EXPENSES

Interest and similar expenses break down as follows:

(million euros)	2014	2013
Expenses on payables related to investments	(19)	(20)
Expenses on current account advances from Group companies	(11)	(14)
INTEREST AND OTHER EXPENSES ON INVESTMENTS	**(30)**	**(34)**
Interest on bond issues	(679)	(736)
Interest on bank borrowings	(25)	(23)
Other interest and financial expenses	(31)	(21)
OTHER INTEREST AND SIMILAR EXPENSES	**(735)**	**(780)**
TOTAL INTEREST AND SIMILAR EXPENSES	**(765)**	**(814)**

NOTE 8 EXCEPTIONAL INCOME (LOSS)

(million euros)	2014	2013
Performance share allotment plan	10	(24)
Other net exceptional items	(5)	1
EXCEPTIONAL INCOME (LOSS)	**5**	**(23)**

NOTE 9 INCOME TAX

(million euros)	2014	2013
Gain or (loss) from tax group regime	92	70
Income tax, withholding tax, other	(25)	(24)
INCOME TAX	**67**	**46**

At December 31, 2014, tax loss carry forwards attributable to the tax Group totalled 2,547 million euros excluding the consequences of tax investigations.

NOTE 10 INTANGIBLE ASSETS AND PROPERTY, PLANT & EQUIPMENT

The change in intangible assets and property, plant and equipment in the period breaks down as follows:

(million euros)	December 31, 2013	Increase	Decrease	December 31, 2014
INTANGIBLE ASSETS				
Gross amount	190	28	15	**203**
Accumulated amortization	(109)	21	14	(116)
Net carrying amount	**81**	**7**	**1**	**87**
PROPERTY, PLANT & EQUIPMENT				
Gross amount	42	1	4	39
Accumulated amortization	(30)	3	4	(29)
Net carrying amount	**12**	**(2)**	**-**	**10**
TOTAL	**93**	**5**	**1**	**97**

No impairment is recorded for intangible assets and property, plant and equipment.

NOTE 11 FINANCIAL ASSETS

(million euros) (gross value)	December 31, 2013	Increase	Decrease	December 31, 2014
Investments[(1)]	**25,272**	**3**	**33**	**25,242**
Long-term receivables from investments	**471**	**601**	**51**	**1,021**
Other investment securities	10	-	-	10
Security deposit	1	-	-	1
Other financial assets	**11**	**0**	**0**	**11**
FINANCIAL ASSETS	**25,754**	**604**	**84**	**26,274**

(1) *The list of subsidiaries and investments is presented in Note 29 – "Investments".*

The decrease in investments concerns the capital decrease of the subsidiary Lafarge Brasil S.A.

Long-term receivables are composed of long-term loans granted to directly or indirectly-held affiliated companies.

NOTE 12 MARKETABLE SECURITIES

(million euros)	December 31, 2013	Increase	Decrease	December 31, 2014
Lafarge S.A. treasury shares[(1)]	1	14	11	**4**
MARKETABLE SECURITIES	**1**	**14**	**11**	**4**

(1) *See Note 13 "Lafarge S.A. treasury shares" for more information.*

NOTE 13 LAFARGE S.A. TREASURY SHARES

(number of shares)	December 31, 2013	Increase	Decrease	Reclassification	December 31, 2014
Share purchase option plans	-	-	-	-	-
Performance share plans	17,935	250,000	197,397	-	70,538
MARKETABLE SECURITIES	**17,935**	**250,000**	**197,397**	-	**70,538**

(million euros)	December 31, 2013	Increase	Decrease	Reclassification	December 31, 2014
Share purchase option plans	-	-	-	-	-
Performance share plans	1	14	11	-	4
MARKETABLE SECURITIES	**1**	**14**	**11**	-	**4**

In first quarter 2014, Lafarge S.A. bought 250,000 treasury shares in order to cover the delivery of performance share plans expiring in March 2014. The decrease of 197,397 treasury shares corresponds to the 2010, 2011 and 2012 performance stock plans which vested and were delivered to the employees.

The 70,538 Lafarge S.A. treasury shares earmarked to cover the performance share plans had a market value of 4 million euros as of December 31, 2014.

NOTE 14 TRANSLATION ADJUSTMENTS AND BOND REDEMPTION PREMIUMS

(million euros)	2014	2013
Bond redemption premiums	18	26
Cumulative translation losses	440	278
ASSETS	**458**	**304**
Cumulative translation gains	216	332
LIABILITIES	**216**	**332**

Bond redemption premiums totaled 18 million euros as of December 31, 2014 compared to 26 million euros as of December 31, 2013. The depreciation and amortization expense explains the decrease of 8 million euros.

Cumulative translation adjustments result from the re-measurement of trade receivables, trade payables, loans and borrowings in local currencies at the end of fiscal year.

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NOTE 15 NET EQUITY

15.1 SHARE CAPITAL

On December 31, 2014, the Company's share capital amounted to 1,150,166,736 euros, divided into 287,541,684 fully paid-up shares with a nominal value of four euros each. Taking into account double voting rights accruing to shares held in registered form for at least two years (125,281,292), the total number of voting rights attaching to the shares was 412,822,976 at December 31, 2014.

Changes in the share capital during the financial year ended December 31, 2014

The Company's share capital at December 31, 2013 amounted to 1,149,461,588 euros, divided into 287,365,397 shares with a nominal value of four euros each. Since December 31, 2013, the Company's share capital has increased by a total of 176,287 shares as a result of the following:

AMOUNT OF SUBSCRIPTIONS OR DEDUCTIONS (EUROS)

	Number of shares issued	Capital	Share premium	Total
Stock options exercised	176,287	705,148	7,042,030	7,747,178
TOTAL AT DECEMBER 31, 2014	**176,287**	**705,148**	**7,042,030**	**7,747,178**

Potential Share capital as at December 31, 2014

The number of shares as at December 31, 2014 could be increased by a maximum of 6,093,284 shares in the hypothetical scenario:

- that stock options granted to employees existing on that date, were exercised. 4,487,162 of these existing 5,752,615 stock options could have been exercised at December 31, 2014. The remaining 1,265,453 stock options can only be exercised upon expiry of a period of four years after their grant and subject to the performance conditions attached to some of these stock options being fulfilled;
- delivery in March 2015, of a maximum of 340,669 performance shares granted to employees, existing on December 31, 2014, and subject to the performance conditions attached to some of these shares being fulfilled.

15.2 CHANGE IN NET EQUITY

(million euros)	Common stock	Additional paid-in capital	Other reserves	Retained earnings	Net income	Total
NET EQUITY AS AT DECEMBER 31, 2013 *(before appropriation of 2013 income)*	**1,149**	**9,856**	**762**	**1,560**	**462**	**13,789**
Appropriation of 2013 income	-	-	6	167	(462)	(289)
Share capital increase	1	7	-	-	-	8
Net income for 2014	-	-	-	-	144	144
NET EQUITY AS AT DECEMBER 31, 2014 *(before appropriation of 2014 income)*	**1,150**	**9,863**	**768**	**1,727**	**144**	**13,652**

NOTE 16 PROVISIONS FOR LOSSES AND CONTINGENCIES

Change in provisions for losses and contingencies breaks down as follows:

(million euros)	December 31, 2013	Addition	Utilization	Reversal	December 31, 2014
Provisions for retirement benefit obligations[1]	74	26	3	-	97
Provision for share-based payment	69	15	12	18	54
Provision for tax	23	-	7	-	16
Other provisions for losses and contingencies	9	49	4	-	54
PROVISIONS FOR LOSSES AND CONTINGENCIES	**175**	**90**	**26**	**18**	**221**
of which employee expenses		*6*	*4*	*4*	
of which operating		*74*	*6*	-	
of which financial		-	-	-	
of which exceptional		*10*	*9*	*14*	
of which tax		-	*7*	-	
TOTAL		**90**	**26**	**18**	

(1) *See Note 17 "Pension benefit obligations" for more information.*

In November 2008, the major European cement players, including Lafarge, were investigated by the European Commission for alleged anti-competitive practices. By a letter dated December 6, 2010, the Commission notified the parties of the opening of an official investigation (which does not however constitute a statement of objection), while reminding them that at that stage, it did not have conclusive evidence of anticompetitive practices. The alleged offences, which will be the subject of the detailed investigation, involve any possible restrictions of commercial trade in or upon entry to the European Economic Area, market sharing, and coordination of prices on the cement and related markets (concrete, aggregates). In the case of Lafarge, seven countries are quoted: France, the United Kingdom, Germany, Spain, the Czech Republic, Greece and Austria. Lafarge has answered to the Commission's various requests for information. During the third quarter of 2012, European officials investigated the French, German and European cement association. The next stages of this investigation are unknown and no conclusion can be drawn at this stage.

NOTE 17 PENSION BENEFIT OBLIGATIONS

Lafarge S.A.'s pension obligation comprises supplementary pension regimes and end-of-service benefits.

In 2007, the Company transferred its obligation relating to the supplementary defined benefit pension schemes of current retirees through an insurance contract with Cardif Assurance Vie. The premium paid amounted to 1 million euros in 2014, compared to 7 million euros in 2013. In accordance with French Regulations, the insurer guarantees pension indexation up to the amount of technical gains allocated to the contract, with any residual cost of pension indexation remaining with the Company. Obligations for supplementary pension regimes and end-of service benefits were valued using the projected unit credit method.

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The main assumptions underlying these valuations are outlined below:

(million euros, unless otherwise indicated)	2014	2013
Discount rate	1.80%	3.30%
Rate of wage increase	2 to 5.5%	2 to 5.5%
Discounted value of the obligation	257	185
Actuarial gains/losses and impact of plan modifications not recognized	(160)	(111)
PROVISION FOR RETIREMENT BENEFIT OBLIGATIONS	**97**	**74**

NOTE 18 FINANCIAL DEBT

18.1 FINANCIAL DEBT BY NATURE

(million euros)	Amount outstanding at December 31, 2013	Increase	Decrease	Other movements[(1)]	Amount outstanding at December 31, 2014
Bond issues (excluding accrued interest)	11,118	-	1,612	268	9,774
Accrued interest on bond issues	302	234	302	-	234
BOND ISSUES	**11,420**	**234**	**1,914**	**268**	**10,008**
BANK BORROWINGS	**769**	**560**	**678**	-	**651**
Other loans and commercial paper	7	-	7	-	0
Long-term payables from investments	353	-	-	25	378
OTHER FINANCIAL DEBT	**360**	**-**	**7**	**25**	**378**
TOTAL FINANCIAL DEBT	**12,549**	**794**	**2,599**	**293**	**11,037**

(1) *Including translation adjustments.*

The decrease in total debt corresponds to the repayment of a 1 billion euros bond with a May 2014 maturity date and 612 million euros with a July 2014 maturity date.

The loans secured by Lafarge S.A. do not contain any clause requiring continuous compliance with certain financial ratios. However, the loans secured by some subsidiaries of the Group contain that type of clause linked to cross-acceleration repayment clauses involving Lafarge S.A. If we, or under certain conditions, our material subsidiaries, fail to comply with our or their covenants, then our lenders could declare default and accelerate a significant part of our indebtedness.

3,000 million euros of credit facilities are fully undrawn at December 31, 2014, including a syndicated credit facility of 1,500 million euros with a maturity on June 3, 2016. This syndicated credit facility contains an optional exit mechanism, on an individual basis, if the Group consolidated net debt to Ebitda ratio is higher than 4.75. Such an event would not be considered as an event of default and would have no impact on the status of Lafarge S.A.'s other financing arrangements.

In addition, we have a 450 million-euro undrawn financing facility at December 31, 2014 that we can use anytime. This specific financing set-up on October 12, 2012 is not included in the committed credit lines presented above. Utilization of this financing would be considered as a private placement outside the bond program.

Additionally Lafarge S.A. signed bank loans in 2014 for 500 million euros that could be used on May 28, 2015 and on September 30, 2015 and will mature in December 2016. This bank loan contains an optional exit mechanism if the consolidated net debt to Ebitda ratio is higher than 4.75. Such an event would not be considered an event of default and would have no impact on the status of the Group's other financing arrangements.

18.2 BOND ISSUES

(million euros)	Currency	Initial amount	Interest rate	Maturity	Amount outstanding at December 31, 2013	Amount outstanding at December 31, 2014
2002 bond	GBP	307	6.625%	15 years	240	257
2004 bond	EUR	612	5.000%	10 years	612	-
2005 bond	EUR	500	4.250%	11 years	500	500
2005 bond	EUR	500	4.750%	15 years	500	500
2006 bond	USD	444	7.125%	30 years	435	494
2006 bond	USD	592	6.500%	10 years	580	659
2007 bond	EUR	500	5.375%	10 years	540	540
2008 bond	EUR	750	6.125%	7 years	750	750
2008 bond	USD	145	12.530%	25 years	145	165
2009 bond	USD	72	12.850%	25 years	72	82
2009 bond	EUR	250	8.500% (1)	8 years	250	250
2009 bond	EUR	150	8.100% (1)	8 years	150	150
2009 bond	EUR	1000	8.875% (1)	5 years	1,000	-
2009 bond	GBP	411	10.000% (1)	8 years	420	449
2009 bond	EUR	750	6.750% (1)	10 years	750	750
2009 bond	EUR	750	8.875% (1)	7 years	750	750
2010 bond	USD	412	6.200% (1)	5 years	399	453
2010 bond	EUR	500	6.250% (1)	8 years	500	500
2010 bond	EUR	1000	6.625% (1)	8 years	1,000	1,000
2012 bond	EUR	50	5.250%	5 years	50	50
2012 bond	EUR	175	5.000%	6 years	175	175
2012 bond	EUR	500	5.875%	7 years	500	500
2012 bond	EUR	50	Euribor 3m + 1.24%	7 years	50	50
2013 bond	EUR	750	4.750%	7 years	750	750
Bond issues (excluding accrued interest)					**11,118**	**9,774**
Accrued interest on bond issues					302	234
BOND ISSUES					**11,420**	**10,008**

(1) *The interest rates shown take account of step-up clauses associated with these bonds following the downgrading of our long-term credit rating by the rating agencies.*

18.3 BANK BORROWINGS

As of December 31, 2014, bank borrowings amounted to 651 million euros and include 90 million euros maturing in 2015.

18.4 ANALYSIS OF FINANCIAL DEBT BY MATURITY

The following table details the contractual maturities of our various agreements, including the undiscounted contractual flows and future interest, based on the shortest maturity at which Lafarge S.A. can be called upon for repayment.

Financial debts are accounted at their historical value. In the absence of a specific accounting standard, the Company evaluates the circumstances and events which could lead to a revision of future payments, and estimates the most probable scenario to determine if the accounting value of the debt needs any adjustment analogous to their required by IAS 39.

When Lafarge S.A. does not have the unconditional right to defer the term of a financing beyond 12 months, then the financing is accounted as financial debt with a maturity of less than one year regardless of the probable renegotiation considered or to be considered by the Management in order to extend the maturity.

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(million euros)	2015 H1	2015 H2	Contractual flows - less than one year (incl. future interest)	2016	2017	2018	2019	More than 5 years	Contractual flows - more than one year (incl. future interest)	Total Contractual flows (incl. future interest)
Bond issues	1,030	1,145	2,175	2,433	2,090	1,947	1,476	2,403	10,349	12,524
Bank borrowings	404	3	407	6	180	54	25	-	265	672
Commercial paper	-	-	-	-	-	-	-	-	-	-
Long-term payables from investments	-	21	21	398	-	-	-	-	398	419
TOTAL	**1,434**	**1,169**	**2,603**	**2,837**	**2,270**	**2,001**	**1,501**	**2,403**	**11,012**	**13,615**

NOTE 19 DERIVATIVES

19.1 CURRENCY RISK

Lafarge S.A. uses forward purchases and sales of currencies and currency swaps to:

- refinance loans and borrowings granted to subsidiaries in a currency other than the euro;
- hedge the currency risk incurred by the Group's subsidiaries (firm commitments and highly probable transactions), bearing in mind that contracts negotiated with subsidiaries are hedged in exactly the same manner in the interbank market and do not give rise to a currency position for Lafarge S.A.

At December 31, 2014, most forward exchange contracts had a maturity date of less than one year.

The nominal and fair values of derivatives at the balance sheet date were as follows:

(million euros)	At December 31, 2014		At December 31, 2013	
	Notional	Fair value(1)	Notional	Fair value(1)
US dollar (USD)	851	22	1,002	(8)
Pound sterling (GBP)	148	2	129	-
Other currencies	47	1	39	-
FORWARD PURCHASES AND CURRENCY SWAPS	**1,046**	**25**	**1,170**	**(8)**
US dollar (USD)	155	(5)	159	2
Pound sterling (GBP)	36	(1)	46	-
Other currencies	272	91	433	8
FOWARD SALES AND CURRENCY SWAPS	**463**	**85**	**638**	**10**

(1) *The fair value of currency derivatives was calculated using market prices that Lafarge S.A. would pay or receive to unwind these positions.*

The table above presents the derivative instruments to hedge the balance sheet monetary items in foreign currencies. Derivative instruments contracted on behalf of Group's subsidiaries are not reported in this table.

19.2 INTEREST-RATE RISK

Lafarge S.A.'s exposure to interest rate fluctuations comprises two types of risks:

- a fair value risk arising from fixed-rate financial assets and liabilities: interest-rate fluctuations have an influence on their market value;
- a cash flow risk arising from floating-rate financial assets and liabilities: fluctuations in interest rates have a direct impact on the Company's future earnings.

As part of its general policy, Lafarge S.A. manages these two risk categories using, if necessary, interest-rate swaps.

The notional and fair values of interest rate derivatives at the balance sheet date were as follows:

AT DECEMBER 31, 2014 — NOTIONAL VALUE OF DERIVATIVES BY EXPIRY DATE[1]

(million euros, unless otherwise indicated)	Average interest rate	2015	2016	2017	2018	2019	> 5 years	Total	Fair value[2]
INTEREST RATE SWAP									
Fixed-rate payer	-	-	-	-	-	-	-	-	-
Fixed-rate receiver	0.2%	-	500	1,000	500	-	-	2,000	42

AT DECEMBER 31, 2013 — NOTIONAL VALUE OF DERIVATIVES BY EXPIRY DATE[1]

(million euros, unless otherwise indicated)	Average interest rate	2014	2015	2016	2017	2018	> 5 years	Total	Fair value[2]
INTEREST RATE SWAP									
Fixed-rate payer	4.6%	42	-	-	-	-	-	42	(1)
Fixed-rate receiver	0.3%	-	-	500	1,000	500	-	2,000	2

(1) *The notional value of derivatives represents the nominal value of financial instruments traded with counterparties.*
(2) *The fair value of interest-rate swaps was calculated using market prices that Lafarge S.A. would have to pay or receive to unwind the positions.*

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NOTE 20 FINANCIAL COMMITMENTS

Commitments and guarantees given	AS OF DECEMBER 31, 2014 Amounts (in million euros)	Maturity date
FINANCIAL GUARANTEES:		
In favor of bank borrowings related to loans granted to Group subsidiaries	933	Loan Maturity date
In favor of the Georgian State on behalf of Lafarge Road Marking US	Unlimited	Extinction of obligations
GUARANTEES ON DISPOSAL:		
In favor of the ETEX Group, following the sale of 20% in the companies Siniat International and Romeral	7	February 2017
In favor of the ETEX Group, following the sale of 80% of the Gypsum activity in Europe and South America	136	November 2016
In favor of ASKALE CEMENTO, following the sale of Lafarge Van Cimento	2	September 2019
In favor of MONIER Group, following the sale of the Roofing activity, for the US warranty - The other warranties all being released.	Unlimited	February 2022
OTHER GUARANTEES GIVEN:		
- As part of the modification of the retirement plans in the UK (the "plans"), Lafarge S.A. has granted to the Lafarge UK pension Trustees Limited, the "Trustee" (responsible for the plan), a security covering the obligation by Lafarge International Holding Limited ("LIHL") to fulfill all the commitments (and payment obligations) that this LIHL will have undertaken within the Plan framework. This security was granted on January 26, 2012, following the approval of the Board of Directors' meeting held on November 3, 2011. At end-2014, the funding shortfall of the scheme is estimated, based on projections, at 523 million pounds sterling and the solvency shortfall (being the measure which estimates how much an insurance company would require in order to take over the responsibility for payment of all the plan's benefits) was estimated, based on projections, at circa 1.1 billion pounds sterling. Lafarge S.A. signed an agreement with the Trustee on December 15, 2014 (*Deed of Agreement*) providing for prior notification of at least 6 months in case of significant transaction impacting the net equity of Lafarge S.A. or related to the assets located in Nigeria and Malaysia. The obligation of notification related to the assets located in Nigeria and in Malaysia is held by LIHL, with a commitment from Lafarge S.A. to ensure that LIHL complies with this obligation. These commitments will end 18 months after the effective merger date with Holcim (see Note 27).		
- As part of the rental agreement related to trucks, mixer trucks and equipment used in the quarries of our North American subsidiaries, Lafarge has granted securities in favor of Cura Classis (Canada) Inc and Cura Classis (US) LLC.	75	June 2024
- As part of the rental agreement related to trucks, mixer trucks and equipment used in the quarries of our UK subsidiaries, Lafarge has granted securities in favor of Cura Classis UK.	19	August 2021
- In favor of Citibank, as part of the future commitments of its subsidiaries located outside the EMEA region, when the latter will sign an agreement supplying the payment cards made available to employees.	3	Agreements maturity date
- In favor of BNP Paribas Bank for the guarantee it gives to the lessor (SIIC Paris) for the Head Office	2	December 2022
- In favor of SIIC Paris regarding the rental contract for its Head Office	60	December 2022
- In favor of Natixis for the guarantee given to the Société des Ciments Mitidja (Algeria) under the proper execution of the current management contract with Lafarge S.A.	1	July 2018
- As part of a purchase contract of equipment: the "Final Statement & New Supply agreement" signed in July 2009, with CBMI, a Chinese corporate, Lafarge S.A. has the obligation to purchase equipment not yet delivered to its subsidiaries prior to August 31, 2013. This deadline was extended to January 2015 following an agreement between the parties entered into in March 2014	21	January 2015

NOTE 21 MATURITY OF RECEIVABLES AND LIABILITIES AT THE BALANCE SHEET DATE

(million euros) (Gross value)	Net amount at December 31, 2014	Falling due in		
		Less than one year	Between 1 and 5 years	Over 5 years
Long-term receivables from investments	1,021	32	989	-
Other financial assets	11	-	-	11
NON-CURRENT RECEIVABLES	**1,032**	**32**	**989**	**11**
Loans and current accounts granted to subsidiaries	1,402	1,402	-	-
Other	35	35	-	-
CURRENT RECEIVABLES	**1,437**	**1,437**	**-**	**-**
RECEIVABLES	**2,469**	**1,469**	**989**	**11**
Bond issues	10,008	1,437	6,580	1,991
Bank borrowings	651	93	558	-
Other financial debt	378	1	-	377
FINANCIAL DEBT	**11,037**	**1,531**	**7,138**	**2,368**
TAX AND EMPLOYEE-RELATED LIABILITIES	**59**	**59**	**-**	**-**
Borrowings and current accounts received from Group companies	3,287	3,287	-	-
Other[1]	54	54	-	-
OTHER LIABILITIES	**3,341**	**3,341**	**-**	**-**
LIABILITIES	**14,437**	**4,931**	**7,138**	**2,368**

(1) *Settlement periods: Law no. 2008-776 of August 4, 2008 on the modernization of the economy, and Decree no. 2008-1492 of December 30, 2008 rendered for the application of Article L-144-6-1 of the French Commercial Code.*

The 54 million euros of other liabilities includes trade payables for an amount of 27.5 million euros as of December 31, 2014 (French and foreign suppliers other than the Group).

The following schedule presents trade payables by invoice date:

(million euros)	Debt due at year end	30 days from invoice date	Between 31 and 60 days from invoice date	> 61 days from invoice date	Total at December 31, 2014
Trade payables (including debt to suppliers of fixed assets)	0.2	17.8	8.8	0.7	27.5

(million euros)	Debt due at year end	30 days from invoice date	Between 31 and 60 days from invoice date	> 61 days from invoice date	Total at December 31, 2013
Trade payables (including debt to suppliers of fixed assets)	5.4	4.8	7.4	2.2	19.8

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NOTE 22 INFORMATION REGARDING RELATED PARTIES

(million euros)	Net Amount	Of which Related parties	Of which Other investments
FINANCIAL ASSETS			
Investments	25,242	25,239	3
Long-term receivables from investments	1,021	1,021	-
FINANCIAL DEBT			
Other loans and commercial paper	378	378	-
OTHER RECEIVABLES			
Loans and current accounts	1,402	1,393	9
Other receivables	35	-	-
OTHER LIABILITIES			
Borrowings and current accounts	3,287	3,286	1
Other	54	-	-
NET INCOME FROM INVESTMENTS	**892**	**892**	**-**
INTEREST AND SIMILAR INCOME	**88**	**65**	**1**
INTEREST AND SIMILAR EXPENSES	**(765)**	**(30)**	**-**

Pursuant to the regulations of the ANC, the French standard-setting body, and Article R. 123-198 11 of the French Commercial Code, on related parties, Lafarge S.A. hereby reports that it did not enter into any significant transaction considered not to be arm's length business during 2014.

NOTE 23 COMPENSATION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

(million euros)	2014	2013
Board of Directors	0.7	0.7
Executive management[(1)]	10.0	12.0

(1) *Executive Management comprises 11 members, including the Chief Executive Officer, as of December 31, 2014.*

NOTE 24 AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR

	2014	2013
Management	363	361
Supervisors and technicians	119	121
Other employees	27	28
TOTAL EMPLOYEES	**509**	**510**

NOTE 25 INDIVIDUAL RIGHTS TO TRAINING

In compliance with recommendation 2004F issued by the Urgent Issues Task Force of the French National Accounting Council (CNC) concerning accounting for individual rights to training, Lafarge did not record any provisions for training rights in the financial statements for the year ended December 31, 2014. Rights acquired at year-end 2014 are estimated at 40,481 hours.

As of January 1, 2015 the Individual Training Plan (French CPF) will replace the Individual Training Entitlement (French DIF). The hours of DIF acquired at the date of December 31, 2014 must be exercised before December 31, 2020 in the same way as if it they were hours acquired under the CPF.

NOTE 26 DEFERRED TAX POSITION – TAX BASE (HOLDING COMPANY ONLY)

(million euros)	2014	2013
DEFERRED TAX LIABILITIES		
Tax-driven provisions	1	1
Capital gains rolled over - Long term	1,849	1,849
DEFERRED TAX ASSETS		
Provision for pensions	97	74
Other provisions	15	21
TAX LOSSES CARRIED FORWARD		
Tax group losses	2,547	2,662
Revaluation account (1976)	3	3

NOTE 27 MERGER PROJECT BETWEEN LAFARGE AND HOLCIM

On April 7, 2014, Lafarge and Holcim announced the project to combine the two companies through a merger of equals to create LafargeHolcim, the most advanced group in the building materials industry. The project has been approved by the Board of Directors of both companies and received the full support of their core shareholders.

LafargeHolcim would be listed on Euronext Paris and SIX in Zurich and domiciled in Switzerland. The proposed combination would be structured as a public exchange offer filed by Holcim for the shares of Lafarge. The Board of Directors of LafargeHolcim would be composed of an equal number of Lafarge and Holcim Directors. Additional information is available on the website http://lafargeholcim.projet-fusion.com/en.

The proposed combination is conditional upon, among other things, approval of the shareholders of Holcim, the contribution to the exchange offer by the shareholders of Lafarge of at least two-thirds of the share capital and voting rights of Lafarge on a fully diluted basis, and obtaining various approvals including regulatory and other approvals and customary consultations. Until the completion of the transaction, the two companies will continue to operate independently.

27.1 DIVESTMENTS OF ASSETS SUBJECT TO THE COMPLETION OF THE MERGER

Scope of asset disposal

On July 7, 2014, following the signature of the Combination Agreement, Lafarge and Holcim published a list of proposed asset disposals to anticipate potential competition authorities' requirements. The amended list was published on February 2, 2015, the day when Lafarge and Holcim announced they entered exclusive negotiations further to a binding commitment made by CRH regarding the sale of several assets. This list includes assets for divestment in Europe following the clearance obtained from the European Commission on December 15, 2014 for the proposed merger, subject to prior approval of the buyer by the European Commission.

In the remaining jurisdictions where regulatory clearance is still pending, both groups will continue to cooperate with the relevant authorities. The divestment process will be carried out in the framework of the relevant social processes and ongoing dialog with the employee representatives' bodies. The proposed divestments will be subject to review of the regulatory authorities, to the agreement of our business partners when relevant, and to the closing of the public exchange offer.

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Binding commitment with CRH

On January 31, 2015, Lafarge and Holcim entered into exclusive negotiations further to a binding commitment with CRH regarding the divestment of several assets. The list of Lafarge's assets includes operations in Europe (Germany, Romania, United Kingdom and some assets in France, including Reunion Island), in Brazil and in the Philippines.

This agreement is subject to the approval of CRH shareholders, to the completion of the merger and to the local legal reorganization required to fit the scope of entities sold within the contractual framework.

The binding commitment made by CRH guarantees an enterprise value subject to usual adjustments related to changes in the position of net debt, working capital and specific provisions until the closing of the disposals. These divestments have been structured as a whole. No individual divestment can be completed if the global transaction does not occur.

27.2 CHANGE OF CONTROL AND NON-COMPETE CLAUSES

In the context of the merger project with Holcim, Lafarge S.A. identified the main obligations related to mandatory tender offers, change of control and non-compete clauses or other specific legal, regulatory or contractual provisions related to credit facilities, tax, supply agreements, agreements with partners or employee benefit schemes including pensions that could trigger an impact upon completion of the merger. Lafarge S.A. did not identify any impact to be accounted for in the financial statements as at December 31, 2014. As explained below, discussions are on-going or will start with relevant parties and authorities to find appropriate solutions before the completion of the merger. The main clauses identified are shown below.

a) Shareholder's agreements

In the context of the merger project with Holcim, Lafarge has identified in the shareholders' agreements:

- exit clauses reserved to the partners, whether minority shareholders or not, that could be activated by the change of control of Lafarge resulting from the merger with Holcim;
- non-compete clauses in which Lafarge and its partners undertake not to compete, directly or indirectly, within a specific territory, with the business of their joint venture company. As a result of the merger with Holcim where both companies will combine their businesses, Lafarge could be in breach of these non-compete clauses if, in the defined territory, Holcim's business competes with the joint venture company.

Lafarge S.A. entered or will enter into negotiations with the relevant parties and authorities to ensure that appropriate solutions are found.

b) Credit facilities

In the context of the merger project with Holcim, the Company has identified in the main credit facilities of the Group the early repayment clauses in case of change of control of Lafarge. As part of the preparatory work for the merger project, the Group obtained a commitment from the banks a commitment that the merger will not trigger for Lafarge the obligation to make an early repayment. Similar agreements for the Group subsidiaries would be obtained, if necessary, before the completion of the merger.

Holders of the Company's bonds issued under the EMTN program or by private placement in the United States are entitled to ask for the repurchase of their bonds by the Company in the scenario where, within 6 months of completion of the merger, the credit rating of the Company is downgraded by one notch by either Moody's or Standard & Poor's as a direct consequence of the merger. Moody's and Standard & Poor's have both announced, following the announcement of the merger project on April 7, 2014, that they consider that this project would improve the risk profile of Lafarge.

c) Pension schemes

Discussions with the Trustee Board of the pension plan in the UK in relation to the potential impact of the merger on the financial support provided to the plan by the Group concluded with the signature of a Deed of Agreement on December 15, 2014. This agreement maintains the current financial support to the plan for an interim period of 18 months after the completion of the merger, with no additional financial commitment to the plan (See Note 20). Based on this, the Trustee Board will not consider any wind-up process in relation to the merger and an agreement on the financing of the plan will be negotiated as part of the next funding valuation based on the June 30, 2015 funds situation.

NOTE 28 SUBSEQUENT EVENTS

Lafarge S.A. signed in January 2015 a bank loan of 500 million euros that could be used between May 2015 and December 2015.

NOTE 29 INVESTMENTS

SUBSIDIARIES AND INVESTMENTS AT DECEMBER 31, 2014

(in million of currency unit)	Currency	Common stock(1)	Reserves and retained earnings(1) (2)	Share of capital held%	Carrying amount of shares held(3)		Loans and advances granted and not repaid(3)	Guarantees & endorsements given by the Company(3)	Net revenues excluding tax at closing(1)	Net income (profit or loss) at closing(1)	Dividends received by the Company over the year(3)
					Gross	Net					
A. DETAILED INFORMATION ON SUBSIDIARIES (1) AND INVESTMENTS (2) AND (3) BELOW											
1. SUBSIDIARIES (OVER 50% OF CAPITAL HELD BY THE COMPANY):											
Sofimo	EUR	1,055	16,578	100.00	16,676	16,676	2	-	-	817	443
Lafarge Gypsum International	EUR	798	357	100.00	934	934	-	-	-	41	55
Lafarge Centre de Recherche	EUR	23	2	100.00	23	23	5	-	-	2	2
Sabelfi	EUR	2,385	120	99.99	2,511	2,511	-	-	-	65	65
Lafarge Brasil	BRL	1,113	(389)	59.74	332	332	-	-	1,352	295	25
Lafarge North America Inc.	USD	-	5,655	87.53	4,709	4,709	32	-	4,085	279	232
2. INVESTMENTS (10 TO 50% OF CAPITAL HELD BY THE COMPANY)											
Ciments du Cameroun	CFA	5,600	32,872	43.65	15	15	-	-	71,319	(1,220)	-
Lafarge Zement GmbH	EUR	26	46	10.00	29	29	-	-	-	7	-
3. INVESTMENTS (LESS THAN 10% OF CAPITAL HELD BY THE COMPANY)											
B. GENERAL INFORMATION CONCERNING OTHER SUBSIDIARIES AND INVESTMENTS											
1. SUBSIDIARIES NOT INCLUDED UNDER A.1)											
French subsidiaries (total)					5	5	-				19
Foreign subsidiaries (total)					8	8	-				-
2. INVESTMENTS NOT INCLUDED UNDER A.2) AND A.3)											
French (total)					-	-	-				-
Foreign (total)					-	-	-				-
TOTAL					**25,242**	**25,242**	**39**				**841**

(1) *In local currency for foreign subsidiaries.*
(2) *Before appropriation of net income and interim dividend.*
(3) *In million euros.*

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CHANGE IN THE FINANCIAL INCOME OF THE COMPANY DURING THE LAST FIVE YEARS (ARTICLES R. 225-81, R. 225-83, R. 225-102 OF THE FRENCH COMMERCIAL CODE)

	2014	2013	2012	2011	2010
A. CAPITAL STOCK					
Capital stock (in euros)	1,150,166,736	1,149,461,588	1,149,022,008	1,148,990,072	1,145,815,116
Number of existing shares of common stock	287,541,684	287,365,397	287,255,502	287,247,518	286,453,779
Maximum number of future shares to be created	6,093,284	7,000,955	8,455,389	8,511,063	9,099,072
through attribution/delivery of performance shares	340,669	-	-	-	-
through exercise of stock options	5,752,615	7,000,955	8,455,389	8,511,063	9,099,072
B. TRANSACTIONS FOR THE YEAR (IN THOUSANDS OF EUROS)					
a) Gross sales revenues[(1)]	1,537,001	1,846,797	1,542,723	1,536,243	1,322,722
b) Income before taxes, profit-sharing and amortization and provisions	158,995	472,361	109,709	88,208	(320,834)
c) Income taxes	67,388	46,183	65,750	68,352	76,060
d) Employee profit-sharing owed for the year	-	-	-	-	-
e) Income after taxes, profit sharing and amortization and provisions	144,018	462,306	102,842	205,507	49,032
f) Income distributed	367,732	289,556	289,341	144,550	287,903
including 10% increase[(2)]	2,643	2,140	2,028	1,002	1,683
Earnings per share (in euros)					
a) Income after taxes, employee profit-sharing but before amortization and provisions	0.55	1.80	0.61	0.84	(0.85)
b) Income after taxes, employee profit-sharing and amortization and provisions	0.50	1.61	0.36	0.72	0.17
c) Net dividend	1.270	1.000	1.000	0.500	1.000
Net loyalty dividend	1.390	1.100	1.100	0.550	1.100
C. PERSONNEL					
Number of employees at December 31	515	498	512	528	510
Payroll (in thousands of euros)[(3)]	102,729	104,210	102,597	94,773	92,799
Social benefits (in thousands of euros)[(4)]	47,373	49,149	47,494	47,369	48,098
Bonuses and profit-sharing paid (in thousands of euros)	3,223	2,507	1,388	1,732	2,142

(1) *Gross sales revenues represent the revenues from ordinary activities, which include the production (services) sold and finance income.*
(2) *Increase in the dividend for registered shares held for more than two years.*
(3) *Including retirement indemnities, provision for performance share grants.*
(4) *Social organizations, charitable projects and other employee costs for impatriates, etc.*

STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS WITH THIRD PARTIES

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements and commitments with third parties.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements and commitments, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code *(Code de Commerce)*, to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Our role is also to provide you with the information provided for in Article R. 225-31 of the French Commercial Code in respect of the performance of the agreements and commitments, already authorized by the Shareholders' Meeting and having continuing effect during the year, if any.

We conducted our procedures in accordance with the professional guidelines of the French National Institute of statutory auditors *(Compagnie nationale des commissaires aux comptes)* relating to this engagement. These guidelines require that we agree the information provided to us with the relevant source documents.

AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL TO THE SHAREHOLDERS' MEETING

I. Agreements and commitments authorized during the year

Pursuant to Article L. 225-40 of the French Commercial Code *(Code de commerce)*, we have been advised of the following agreements previously authorized by your Board of Directors.

With Groupe Bruxelles Lambert on the one hand, and with Mr Nassef Sawiris and NNS Holding Sàrl and on the other hand, (shareholders holding a fraction of the voting rights greater than 10%)

Board members concerned

Mr Paul Desmarais, a director of your Company, is also Vice-Chairman of the Board, a director and member of the permanent Committee of Groupe Bruxelles Lambert; Mr Ian Galienne and Mr Gérard Lamarche, directors of your company, are also Managing Directors of Groupe Bruxelles Lambert.

Mr Nassef Sawiris is a director of your Company, and Mr Jérôme Guiraud, a director of your Company, is also a director of NNS Holding Sàrl.

Agreements concluded in the context of merger project with Holcim

As part of the merger project between the Lafarge and Holcim groups (the "Transaction"), which would be finalized by means of a public tender offer initiated by Holcim Ltd ("Holcim") on the shares of your Company (Lafarge S.A.), two agreements were executed on April 6, 2014, one between your Company, Holcim and Groupe Bruxelles Lambert and the other between your Company, Holcim, Mr Nassef Sawiris and NNS Holding Sàrl.

Under these agreements, Groupe Bruxelles Lambert, on the one hand, and Mr Nassef Sawiris and NNS Holding Sàrl, on the other hand, have undertaken to tender all Lafarge S.A. shares which they respectively held as of April 6, 2014 (i.e. 60,308,408 Lafarge S.A. shares for Groupe Bruxelles Lambert and, in aggregate, 40,064,682 Lafarge S.A. shares for Mr Nassef Sawiris and NNS Holding Sàrl) to the public exchange offer, as well as any additional Lafarge S.A. shares they may acquire in future.

Groupe Bruxelles Lambert on one hand, and Mr Nassef Sawiris and NNS Holding Sàrl on the other hand, have made a commitment to reiterate, if necessary, such undertaking to tender their shares.

The undertakings to tender their shares given by Groupe Bruxelles Lambert, on the one hand, and Mr Nassef Sawiris and NNS Holding Sàrl, on the other, will become void in the event (i) a third party files a public offer before the public exchange offer to be initiated by Holcim, or (ii) a competing public offer made by a third party, subsequent to the public tender offer initiated by Holcim, is declared compliant by the AMF. However, in the event that, following such an offer by a third party, Holcim initiates a competing offer or makes a higher bid, such offer or outbid being declared compliant by the AMF and the other principles and terms of the Transaction remaining unchanged (in particular regarding governance of the new entity), the undertakings to tender their shares made by Groupe Bruxelles Lambert, on the one hand, and Mr Nassef Sawiris and NNS Holding Sàrl, on the other hand, will apply to this competing offer or outbid made by Holcim.

Groupe Bruxelles Lambert, on the one hand, and Mr Nassef Sawiris and NNS Holding Sàrl, on the other hand, have declared not to be acting in concert with a third party in respect of your Company or Holcim and have undertaken not to act in concert with a third party in respect of your Company or Holcim for a specific period (the "restricted period").

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In addition, during the restricted period, Groupe Bruxelles Lambert, on the one hand, and Mr Nassef Sawiris and NNS Holding Sàrl, on the other hand, have made a commitment (on their behalf and on behalf of any of their subsidiaries holding Lafarge S.A. shares) to:

- hold and not sell or otherwise transfer in any way, including by entering into a derivatives transaction, any Lafarge S.A. share (permitted exceptions aside);
- abstain from any initiative aiming at, or to solicit, encourage, facilitate or induce an alternative transaction or offer to the public exchange offer to be initiated by Holcim or to the proposed merger between Holcim and your Company (an "alternate proposal"), and to inform your Company and Holcim of any solicitation or proposal from a third party which could lead to an alternate proposal;
- abstain from having any discussion with any person or entity regarding an alternate proposal or to engage in any negotiation regarding an alternate proposal; or
- abstain from supporting or proposing publicly to support any alternate proposal.

The two agreements will terminate on December 31, 2015, except in case of early termination, it being specified that if Holcim initiates the public exchange offer before December 31, 2015, the term of these agreements will be automatically extended until settlement-delivery of the public exchange offer.

These agreements were previously authorized by the Board of directors of your Company at its meeting of April 5, 2014.

II. Agreements and commitments authorized after closing

We have been informed of those agreements and commitments which had been authorized after closing and had received prior approval by your Board of Directors.

With Mr Bruno Lafont, Chairman & CEO of your Company

Amendment of the French supplementary pension plans and related insurance contracts with Cardif Assurance Vie

a) Supplementary pension plans

French executives and members of the Executive Committee of your Company are eligible to the following supplementary defined benefit pension plans ("the Plans"):

- "Régime Additif" for some executive of your Company and its French subsidiaries, and
- "Régime Comex" for members of the Executive Committee of your Company.

Eligible beneficiaries have to retire from your Company or from one of its French subsidiaries in order to receive their unvested pension rights according to the Plans' rules.

Mr Bruno Lafont is one of the potential beneficiaries of the Plans, as described in the paragraph I.b.1 of the second part in this report. As a reminder, these Plans have received approval of the shareholders, notably during the General Meeting of May 6, 2009 to include the directors of your Company as potential beneficiaries of these Plans.

Plans' amendments are necessary in order to maintain past-service pension rights for eligible beneficiaries who would be localized within LafargeHolcim in Switzerland following the completion of the proposed merger between your Company and Holcim Ltd ("Holcim"). These amendments are substantially as follows:

- freeze of pension rights under the Plans from the date of localization of the eligible beneficiary within LafargeHolcim in Switzerland: length of service and compensations received during this localization are not considered in the calculation of pension rights granted by the Plans (concerned beneficiaries being members of the Swiss LafargeHolcim pension funds during this period);
- vesting of pension rights under the Plans also in case of retirement from the Swiss entity LafargeHolcim (and no longer only in case of retirement from your Company or from one of its French subsidiary);
- service period and compensation received by an eligible beneficiary after being relocalized in France (within your Company or one of its French subsidiaries) will be considered in the calculation of pension rights granted by the Plans;
- above amendments, which tend to anticipate potential impact of the proposed merger between your Company and Holcim, do not lead to an increase of current pension rights under the Plans;
- at the same time, some technical amendments in line with market practice including the review of pension indexation rules: for pensions in payment from March 2015, the indexation will be based on actual return of plans' assets managed by the insurance company.

None of the proposed amendments to the Plans' rules would lead to an increase of the pension rights granted to Mr Bruno Lafont.

b) Insurance contracts related to the supplementary pensions plans

As described in the paragraph I of the second part in this report, your Company has entered into insurance contracts (the « Insurance Contracts ») with the company Cardif Assurance Vie, a subsidiary of BNP-Paribas, the purpose of which was to transfer defined-benefit retirement plans.

Mr Bruno Lafont may benefit from these Insurance contracts since he is one of the potential beneficiaries of these Plans as mentioned in the previous paragraph a).

The purpose of the Insurance Contracts being to externally manage the Plans, the Insurance contracts include the Plans' rules and have then to be modified in order to be consistent with the new rules after adoption of the above Plans' amendments. The changes in Insurance Contracts do not include any substantial modification of economic or financial conditions which remain in line with market practices.

These amendments of the commitment in favor of Mr Bruno Lafont and those related to the supplementary pensions plans were previously authorized by the Board of directors of your Company on March 11, 2015.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

I. Agreements and commitments approved in prior years

a) whose implementation continued during the year

Pursuant to Article R. 225-30 of the French Commercial Code *(Code de Commerce)*, we have been informed that the following agreements and commitments, already approved by the Shareholders' Meeting in previous years, continued during the year.

With BNP Paribas

Board members concerned

Ms Hélène Ploix, a director of your Company, was also a director of BNP Paribas until May 14, 2014, and Mr Baudouin Prot, a director of your Company, was also Chairman of the Board of Directors of BNP Paribas until December 1, 2014.

Transfer of retirement plans for French executives, senior executives and members of the Executive Committee to Cardif Assurance Vie, a subsidiary of BNP Paribas

The Board of Directors authorized the conclusion of three insurance contracts between your Company and Cardif Assurance Vie, a subsidiary of BNP Paribas, the purpose of which was to transfer defined-benefit retirement plans. These agreements were authorized by the Board of Directors at its meetings of August 1, 2007 and November 6, 2008 and approved by the Shareholders' Meetings of May 7, 2008 and of May 6, 2009.

As these agreements remained in force in 2014, the total amount of contributions allocated to retirement capital, expenses and other taxes and paid by your Company in respect of two of the current contracts with Cardif Assurance Vie amounted to €1.3 million for the year ended December 31, 2014.

b) which were not implemented during the year

Furthermore, we have been informed that the following agreements and commitments, already approved by the Shareholders' Meeting in previous years, were not implemented during the year.

1. With Mr Bruno Lafont, Chairman & CEO of your Company

Mr Bruno Lafont's suspended employment contract and severance compensation

At its meeting on July 27, 2011, the Board of Directors decided to maintain Mr Bruno Lafont's suspended employment contract and to delete a clause of commitment of presence. This contract was approved by the Shareholders' Meeting on May 15, 2012. The employment contract was suspended as from January 1, 2006, the date of Mr Bruno Lafont's appointment as Chief Executive Officer. It includes contractual severance compensation, payable subject to certain conditions, including a performance condition.

At its meeting on February 19, 2009, the Board of Directors authorized the amendments to Mr Bruno Lafont's suspended employment contract, for the purpose of adapting the contractual severance compensation to the recommendations of the Afep Medef corporate governance code for listed companies regarding the compensation of executive corporate officers. This contract was approved by the Shareholders' Meeting on May 6, 2009.

The Shareholders' Meeting on May 7, 2013 confirmed the approval of these commitments relating to Mr Bruno Lafont's suspended employment contract.

It is recalled that, following the automatic resumption of his employment contract in the event Mr Bruno Lafont were to cease serving in his corporate offices (Chairman and Chief Executive Officer), the contractual severance compensation in case of dismissal (other than for gross negligence or serious misconduct) would only be owed to Mr Bruno Lafont if a series of conditions were met:

- the first condition covers the event triggering the right to receive contractual severance compensation. The dismissal must take place after a change of control or after a change in the Company's strategy;
- the second condition is performance-based. This condition will be satisfied and the contractual severance compensation would be paid if two of the following three criteria are satisfied. If only one criterion out of the three is satisfied, the condition will only be partially satisfied and only one half of the contractual severance compensation would be paid. If none of the criteria are satisfied, the condition would not be satisfied and no contractual severance compensation would be paid. The three criteria to be satisfied, over the last three fiscal years preceding the employment contract's termination, are as follows:
  - an after-tax average return on invested capital for the last three years greater than the Weighted Average Cost of Capital (WACC),
  - an EBITDA/Revenue ratio strictly greater than 18%, on average, for the last three years, and
  - an average bonus granted under the employment contract greater than 60% of the maximum bonus, on average, for the last three years.

The maximum amount of this contractual severance compensation would be equal to two years of total gross compensation received by Mr Bruno Lafont for the most favorable of the three years preceding the date of his dismissal notice. This calculation basis is the same as for the dismissal compensation under the Collective Bargaining Agreement. In addition, so as to ensure that the total amount of the compensation due to Mr Bruno Lafont in case of departure remains within this limit, such contractual severance compensation would be reduced by the amount of the dismissal compensation due to Mr Bruno Lafont pursuant to and in compliance with the terms of the Collective Bargaining Agreement applicable to engineers and executives in the cement production industry, which apply to his employment agreement in view of his length of service within the Group (31 years). In application of mandatory French labor laws, the dismissal compensation is subject to the conditions set forth under the Collective Bargaining Agreement.

A job elimination or decrease in level of responsibilities would also constitute a case of dismissal providing entitlement to such compensations.

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Supplementary pension plan of Mr Bruno Lafont

At its meeting on December 16, 2005, the Board of Directors authorized that Mr Bruno Lafont will benefit from a supplementary pension plan guaranteeing a pension based on his salary as a corporate officer. The employment contract was suspended as from January 1, 2006, the date of Mr Bruno Lafont's appointment as Chief Executive Officer. However, in his capacity as a corporate officer, he will continue to benefit from the supplementary retirement benefit.

Moreover, at its meeting on November 6, 2008, the Board of Directors authorized the amendment of two supplementary benefit plans. One of these amendments consists in including the Company's corporate officers as potential beneficiaries of these benefit plans, which would provide, under certain conditions, a retirement payment based on the last salaries received, irrespective of any other legal retirement benefits received by the retired individual. The Shareholders' Meeting of May 6, 2009 approved this agreement.

As described in the paragraph II of the first part in this report, these agreements and commitments have been previously authorized by the Board of directors of your Company on March 11, 2015.

Conservation of rights relating to long-term compensation plans based on certain assumptions

At its meeting on March 13, 2013, pursuant to Article L. 225-42-1 of the French Commercial Code, the Board of Directors, on the recommendation of the Remunerations Committee decided and confirmed that, in case of retirement, death or disability, Mr Bruno Lafont will retain the rights from which he benefits or will benefit in relation to the attribution of share subscription or purchase options, the attribution of free shares, and other components of long-term (multi-year) compensation, subject to performance conditions. In case of death, the heirs of Mr Bruno Lafont will retain the benefit of his rights. This commitment was approved during the Shareholders' Meeting on May 7, 2013.

2. With Orascom Construction Industries SAE

Board members concerned

Mr Nassef Sawiris, a director of your Company, is also Chief Executive Officer as well as director of Orascom Construction Industries N.V., a company holding (following an exchange offering) the majority of the shares of Orascom Construction Industries SAE.

Mr Jérôme Guiraud, a director of your Company, is also a director of Orascom Construction Industries N.V.

Settlement agreement dated June 21, 2012 between Orascom Construction Industries SAE and your Company

The Orascom Building Materials share purchase agreement signed on December 9, 2007 between your Company and Orascom Construction Industries SAE (OCI) contained general warranties and specific indemnities. Further to negotiations following the triggering of some of the warranties and indemnities by your Company and the authorization granted by the Board of Directors at its meeting of May 15, 2012, the parties reached a settlement for an amount of € 73 million to be paid by OCI to your Company, the warranties being maintained for two specific matters. This agreement was approved by the Shareholders' Meeting on May 7, 2013.

3. With NNS Holding Sàrl, Orascom Construction Industries SAE, Mr Nassef Sawiris and other parties

Board members concerned

Mr Nassef Sawiris, a director of your Company, is also Chief Executive Officer as well as director of Orascom Construction Industries N.V., a company holding (following an exchange offering) the majority of the shares of Orascom Construction Industries SAE. He was also a director of NNS Holding Sarl until 2013.

Mr Jérôme Guiraud, a director of your Company, is also a Board member of NNS Holding Sarl and Orascom Construction Industries N.V.

Amendment to the Shareholders' Agreement of December 9, 2007

At its meeting on March 15, 2012, the Board of Directors authorized the signature of an amendment to the Shareholders' Agreement for the purpose of maintaining, with respect to the 22.5 million shares issued to NNS Holding Sàrl via a reserved capital increase in 2008, the undertaking by NNS Holding Sàrl (i) to inform your company first of any planned share disposals until March 27, 2015 and (ii) not to sell these shares to any competitors of your company until the expiration date of the Shareholders' Agreement. This agreement was approved by the Shareholders' Meeting on May 15, 2012.

Neuilly-sur-Seine and Paris-La Défense, March 12, 2015

The statutory auditors

DELOITTE & ASSOCIÉS		ERNST & YOUNG et Autres	
French original signed by		French original signed by	
Arnaud de Planta	Frédéric Gourd	Alain Perroux	Nicolas Macé

CROSS-REFERENCE TABLES

EC REGULATION 809/2004 CROSS-REFERENCE TABLE

In order to facilitate the reading of the present document as the form of the Registration Document, the cross-reference table below is used to identify the corresponding Sections.

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MANAGEMENT REPORT CROSS-REFERENCE TABLE

This Registration Document contains all the items of the management report in accordance with the provisions of the French Commercial Code.

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INCORPORATION BY REFERENCE

In accordance with article 28 of Commission rule (EC) n° 809/2004, the following information has been incorporated by reference in this Registration Document:

- Section 1.3 (Overview of Operations) pages 28 to 41, Chapter 2 (Operating and financial review and prospects) pages 43 to 60, as well as the statutory and consolidated financial statements for the financial year ending December 31, 2013, including the notes to the financial statements and the reports of the statutory auditors, set out on pages F3 to F73 and F74 to F98 of the 2013 Registration Document filed with the Autorité des marchés financiers on April 2, 2014 under number D.14-0275;
- Section 1.4 (Overview of Operations) pages 27 to 41, Chapter 2 (Operating and financial review and prospects) pages 43 to 62, as well as the statutory and consolidated financial statements for the financial year ending December 31, 2012, including the notes to the financial statements and the reports of the statutory auditors, set out on pages F3 to F76 and F77 to F98 of the 2012 Registration Document filed with the Autorité des marchés financiers on April 3, 2013 under number D.13.0276;

The sections of the Registration Document 2012 and 2011 which have not been incorporated by reference are either not significant for the investor or already covered in another section of the present Registration Document.

GLOSSARY

In this document, the following terms have the meanings indicated below:

"**Activities**": One of the two activities of the Group, cement, aggregates and ready-mix concrete. Since the reorganization of 2012, all activities in a country are placed under the responsibility of a country manager.

"**Country**": the organization by country that replaced in 2012 the product-based organization.

"**Registration document**" or "ANNUAL REPORT": the present document which is a free translation of the Document de référence filed with the Autorité des marchés financiers of France.

"**Group**" or "**Lafarge**": Lafarge S.A. and its consolidated subsidiaries.

"**Company**" or "**Lafarge S.A.**": our parent company Lafarge S.A., a société anonyme organized under French law.

"**Emerging markets or countries**": all markets or countries outside Western Europe and North America, except Japan, Australia and New Zealand.

"**Tonne**" or "**Tons**": always refers to metric tons.

"**Dollars**" or "**US dollars**": unless otherwise specified, dollars of the United States of America.

"**Pure aggregates**": within the Aggregates activity, we distinguish between core aggregates activities such as crushed stone, gravel and sand and others.

GRI: Global Reporting Initiative.

GRI-G4: References in footnotes. See page 164.

WBCSD – CSI: World Business Council for Sustainable Development – Cement Sustainability Initiative.

KPI: Key Performance Indicators.

"**Corporate Officer**": under French law, the Chairman and Chief Executive Officer and the Board of Directors' members are the "Corporate Officers" of Lafarge S.A.

United States: United States of America.

NB: Due to rounding of amounts and percentages, the sum of data in text or charts may not appear totally consistent. Totals indeed, totals include decimals and are subsequently rounded in certain cases.

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